

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
DECEMBER 14, 2016
APPLICATION SUMMARY**

NAME OF PROJECT: LP Johnson City, LLC

PROJECT NUMBER: CN1609-032

ADDRESS: 401 Princeton Road
Johnson City (Washington County), Tennessee 37601

LEGAL OWNER: LP Johnson City, LLC
401 Princeton Road
Johnson City (Washington County), Tennessee 37601

OPERATING ENTITY: Signature Healthcare Clinical Consulting Services, LLC
and Signature Healthcare Consulting Services, LLC
12201 Bluegrass Parkway
Louisville, (Jefferson County), Tennessee 40299

CONTACT PERSON: Chris C. Puri, Attorney
(615) 252-4643

DATE FILED: September 7, 2016

PROJECT COST: \$8,571,736

FINANCING: Combination of Cash Reserves and Commercial Loan

REASON FOR FILING: A 47 bed replacement nursing home created by relocating and replacing the 34 bed Princeton Transitional Care Home and the 13 bed inactive Franklin Transitional Care. *The nursing home beds in this project are NOT subject to the 125 bed Nursing Home Bed Pool for the July 2016-2017 state fiscal year period.*

DESCRIPTION:

LP Johnson City, LLC is seeking approval for the construction of a 47 bed replacement nursing home to be located at 401 Princeton Road, Johnson City (Washington County), TN on the campus of the former Northside Hospital. The

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new nursing home will relocate and replace, respectively, two Mountain States Health Alliance (MSHA) nursing homes, the 34-bed Princeton Transitional Care located within Johnson City Medical Center at 400 North State of Franklin Road, Johnson City (Washington County) and Franklin Transitional Care, which holds an inactive license for a 13-bed nursing home also at 400 North State of Franklin Road, Johnson City (Washington County), TN. Since no new beds are being requested, the proposed project is not subject to the 125-bed Nursing Home Bed Pool for the 2016-2017 state fiscal year period.

Not to Agency members: T.C.A. § 68-11-1627 permits the replacement of one or more currently licensed nursing homes with one single nursing home.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

- 1. Any project that included the addition of Beds, Services, or Medical Equipment will be reviewed under the standards for those specific activities**

Not applicable to this application.

- 2. For relocation or replacement of an existing licensed health care institution:**
 - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.**

Franklin Transitional Care was closed several years ago because the facility was not operationally feasible and efficient.

Renovation was not considered at the current Princeton Transitional Care because the location was intended only as an interim step until the new modern post-acute/long term care campus that will include the proposed 47 bed replacement nursing home could be built.

The applicant appears to meet this criterion.

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.**

The applicant projects 70% occupancy in Year 1 of the project and 90% occupancy in Year 2 of the project.

It appears this criterion has been met.

3. For renovation or expansions of an existing licensed health care institution:

- a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.**

Not applicable to this application.

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.**

Not applicable to this application.

Staff Summary

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.

Application Synopsis

The proposed project will involve the relocation of the 34 skilled nursing bed Princeton Transitional Care and 13 skilled nursing bed Franklin Transitional Care (inactive status) from Johnson City Medical Center into a newly constructed 47 bed single replacement facility pursuant to T.C.A. § 68-11-1627. Franklin Transitional Care has not operated since July 1, 2012. The new replacement facility will be built on the former site of North Side Hospital (owned by MSHAS) located at 401 Princeton Road, Johnson City (Washington County) and will take approximately 18 months to complete.

The 47-bed skilled nursing home will be part of the new elder care campus being developed that will offer a continuum of services including the SNF, a 60 bed assisted care living facility (ACLF) and independent/retirement living with acute rehab services nearby. Home and Community Based Services will also be provided.

Note to Agency members: Princeton Transitional Care is currently a dually certified Medicaid/Medicare facility. The applicant proposes to only be Medicare certified in this proposal.

Ownership

- LP Johnson City, LLC is a joint venture between SHC LP Holdings III, LLC (owned by Signature HealthCARE, LLC) Blue Ridge Medical Management Corporation (an affiliate of Mountain States Health Alliance).
- Signature HealthCARE (SHC) is a long term care and rehabilitation company with 144 locations (with 130 SNFs) in 11 states.
- MSHA is a hospital system that includes 13 hospitals, urgent care centers, outpatient facilities, laboratory and radiology services, physician practices, long term care and rehabilitation services.
- MHSA will contribute the licensure and operating rights of Franklin Transitional Care and Princeton Transitional Care to the Joint Venture.
- SHC is contributing cash and other equivalents, including furniture, fixtures, and equipment.
- SHC, through its related management companies, will operate the facility once constructed and operational.

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- An organizational chart is located in Attachment Section A-4B-1 of the original application.

Facility Information

- The applicant proposes to construct a single story 107 bed 73,168 SF facility that will consist of a 33,037 SF 47 private bed skilled nursing unit with the remaining 40,131 SF devoted to a 60 bed assisted care living facility (not subject to CON).
- The facility will include 813 SF of a lounge/Lobby, 1,258 SF for dining, 2,899 SF for rehabilitation, and 6,205 SF for common areas.
- The new proposed facility will also include special features such as wireless internet and other web-based services, outdoor walking spaces, a chapel/movie theatre, bank, post office, coffee bistro, ice cream parlor, and activity/craft area.
- Floor plan drawings are included in Attachment B.IV.

History

- **December 20, 2006-** The Agency approved Franklin Transitional Care (CN0609-079A) for the relocation of 13 SNF beds from the existing location at Johnson City Medical Center to the James H. and Cecile C. Quillen Rehabilitation Hospital. Thirteen beds were delicensed from the Quillen Rehabilitation Hospital. The project was completed January 1, 2007.
- **December 20, 2006-** The Agency approved Johnson City Medical Center (CN0609-080A) for the relocation of 64 acute care beds from North Side Hospital and Johnson City Specialty Hospital to Johnson City Medical Center. The project was completed June 30, 2009.
- **November 17, 2010-** The agency approved Franklin Transitional Care (CN1008-037A) for the relocation of 13 skilled beds from the James H. and Cecile C. Quillen Rehabilitation Hospital at 2511 Wesley Street to Johnson City Medical Center, 400 N. State of Franklin Road, Johnson City, TN. The project was completed May 18, 2011.
- **November 17, 2010-** The agency approved the relocation of Princeton Transitional Care (CN1008-038A), a 34 bed skilled nursing home from North Side Hospital at 401 Princeton Road, Johnson City, TN to the James H. and Cecile C. Quillen Rehab Hospital at 2511 Wesley Street, Johnson City. Twenty-one rehabilitation beds were delicensed from James H. and

Cecile C. Quillen Rehabilitation Hospital upon licensure of the nursing home. The project was completed October 11, 2011.

- **September 10, 2014**-Franklin Transitional Care was approved by the Department of Health for its license to be placed on inactive status as MSHA and Signature HealthCARE planned to develop an elder care campus that would include a continuum of care. Once the campus is opened (June 2016 target), the intent is to reactivate FTC's license and operate those beds on the new campus (subject to this CON).
- **November 19, 2014**- The current site of Princeton Transitional Care was approved by the Agency in CN1409-039A for the relocation of Princeton Transitional Care's 34 SNF beds from James H. & Cecile C. Quillen Rehabilitation Hospital at 2511 Wesley Street (37601) to Johnson City Medical Center at 400 N. State Franklin Rd., Johnson City (Washington Co.) with the purpose of serving as an interim location until the construction of a new modern facility could be completed. The project was completed February 3, 2015.

NEED

Project Need

- In Washington County there is an existing need for 190 nursing home beds increasing to 360 beds by the year 2020.
- The applicant notes the proposed project is aligned with recently revised standards for Nursing Home Services in the 2014 State Health Plan which encourages facility modernization.
- The proposed project will improve the post-acute care continuum available in the Washington County market by providing skilled nursing care and assisted living options.

Service Area Demographics

LP Johnson City, LLC's declared service area consists of Washington County.

- The total population of Washington County is expected to increase by 5.3% from 133,817 residents in 2016 to 140,905 residents in 2020.
- The overall statewide population is projected to grow by 4.3% from 2016 to 2020.
- The Washington County 2016 age 65 and older category will increase by approximately 16.1% from 24,231 residents in 2016 to 28,137 in 2020 compared to an exact statewide increase of 16.0%.

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- The 65 and older population cohort presently accounts for approximately 18.1% of the total service population compared to a statewide average of 16%.
- The number of service area residents enrolled in the TennCare program is estimated at approximately 19% of Washington County population compared with the statewide average of 23%.

Service Area Historical Utilization

The inventory and utilization of nursing homes in Washington County is summarized in the following table.

Washington County Nursing Home Utilization

Nursing Home	2016 Lic.'d Beds	2012 Patient Days	2013 Patient Days	2014 Patient Days	'12- '14 % Change	2012 % Occ.	2013 % Occ.	2014 % Occ.
Agape Nursing and Rehabilitation Center	84	26,638	23,962	7,664	-71.2%	86.9%	78.2%	25%
Appalachian Christian Village	103	34,394	33,568	32,696	-4.9%	91.5%	89.3%	87%
Christian Care Center of Johnson City	84	22,515	26,992	27,042	+20.1%	73.4%	88%	88.2%
Four Oaks Health Care Center	84	27,990	28,216	27,200	-2.8%	91.3%	92%	88.7%
John M. Reed Health and Rehab	63	17,742	14,934	18,600	+4.8%	77.2%	64.9%	80.1%
Lakebridge Health Care Center	109	37,800	37,019	37,175	-1.7%	95%	93.1%	93.4%
Life Care Center of Gray	125	40,849	38,269	36,015	-11.8%	89.5%	83.9%	79%
NHC HealthCare Johnson City	160	53,382	49,922	47,867	-8.6%	89.7%	85.5%	82%
Princeton Transitional Care	34	8,622	8,731	8,921	+3.5%	69.5%	70.4%	72%
Total	846	268,932	261,613	243,180	-9.6%	87%	54.7%	78.8%

Source: Nursing Home JAR, 2012-2014

- In the combined 9 licensed nursing homes in Washington County total patient days decreased by approximately 9.6% from 2012-2014.
- Utilization declined in 6 of the 9 nursing homes from 2012-2014.

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- 2014 bed occupancy ranged from 25% at Agape Nursing and Rehabilitation Center (84 beds) to 93.4% at Lakebridge Health Care Center (109 beds).

Applicant's Historical and Projected Utilization

Combined Princeton Transitional Care and Franklin Transitional Care Historical Utilization

Year	Licensed Beds	*Dually - certified beds	SNF Medicare ADC	SNF Medicaid	Other skilled ADC	Non skilled ADC	Total ADC	Licensed Occupancy %
2012	47 (34/13)	*47	24.75	1.42	7.22	0	33.4	71.07%
2013	47 (34/13)	*47	16.5	1.50	6.5	0	24.5	72.10%
2014	47 (34/13)	*47	17.4	2.04	4.78	0	24.2	71.2%

Source: Joint Annual Reports 2012-2014

The utilization table above reflects the following:

- The combined licensed occupancy of Princeton Transitional Care and Franklin Transitional Care from 2012 to 2014 averaged 71%.
- The average daily census for Medicare skilled nursing decreased from 24.75 days in 2012 to 17.4 days in 2014.

The table below highlights the projected utilization in the first two years of the project.

LP Johnson City, LLC Projected Utilization

Year	Licensed Beds	Medicare certified beds	SNF Medicare ADC	SNF Medicaid ADC	Skilled Other payors ADC	Non Skilled ADC	Total ADC	Occup.
2018	47	47	33.0	0	0.0	0	33.0	70%
2019	47	47	39.0	0	3.0	0	42.0	90%

Source: Supplemental #1, Page 8

- LP Johnson City, LLC estimates the licensed occupancy of the 47-bed nursing unit will increase from 70.0% in 2018 to 90.0% in 2019.
- The applicant projects the total average daily census in the first year of the project will comprise of a patient mix of 33.0 Medicare skilled patients.

ECONOMIC FEASIBILITY

Project Cost

Major costs are:

- Construction plus Contingency - \$7,063,615.00 or 82.4% of total cost.
- Fixed Equipment - \$945,642 or 11.0% of total cost.

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- For other details on Project Cost, see the Project Cost in the original application.
- As reflected in the table below, the proposed project's new construction cost of \$185.18/PSF is above the 3rd quartile (\$185.00/PSF) cost of statewide nursing home construction projects from 2013 to 2015.

**Nursing Home Construction Cost per Square Foot
2013-2015**

	Renovated Construction	New Construction	Total Construction
1st Quartile	\$46.41/sq. ft.	\$152.80/sq. ft.	\$122.37/sq. ft.
Median	\$90.00/sq. ft.	\$172.14/sq. ft.	\$152.80/sq. ft.
3rd Quartile	\$101.01/sq. ft.	\$185.00/sq. ft.	\$172.14/sq. ft.

Source: HSDA Applicant's Toolbox as of 4/25/2016

Financing

A 9/01/16 letter from the Chief Financial Officer of Signature HealthCARE certifies the proposed project will be funded through a combination of cash reserves and available financing. The applicant has provided in supplemental #1 a letter dated July 13, 2016 from First Republic Bank for available credit up to \$2,369,246 for initial capital and start-up costs required for the proposed project.

The applicant plans to construct the proposed facility through a development agreement with Ramsey Development, LLC. Ramsey Development, LLC will lease the facility to JCRNC RE, LLC with the terms of the lease agreement that requires purchase of the facility for \$6,113,973 between the months of 13 and 24 of the operation of the facility.

A letter dated September 27, 2016 from the Senior Vice President of Servis 1st Bank attests to the availability of a commercial loan to JC RNC RE, LLC of up to \$14,000,000 with financing up to 25 years and interest rates ranging from 5.50% to 6.0%. The commercial loan will be used by the applicant to purchase the facility from Ramsey Development, LLC.

Review of Mountain States Health Alliance's audited financial statements prepared by Pershing Yoakley & Associates, P.C. for the period ending June 30, 2015 indicates \$79,714,000 in cash and cash equivalents, total current assets of \$328,823,000, total current liabilities of \$235,593,000 and a current ratio of 1.40 to 1.

Note to Agency members: current ratio is a measure of liquidity and is the ratio of current assets to current liabilities, which measures the ability of an entity to

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cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

Historical Data Chart

The applicant provided a Historical Data Chart for Johnson City Medical Center Princeton Transitional Care's 34 bed licensed skilled nursing.

- Johnson City Medical Center reported net operating losses after capital expenditures of (\$1,450,903) in FY2013, (\$1,086,974) in FY2014, and (\$942,417) in FY2014.

Projected Data Chart

The applicant projects \$5,097,760.00 in total gross revenue on 12,091 patient days in Year 1 increasing by 7.2% to \$6,277,242 on 15,087 patient days in Year 2 (approximately \$416.00 per day). The Projected Data Charts reflect the following:

- Net operating income less capital expenditures is estimated at \$62,904 in Year One increasing to \$378,817 in Year Two.
- Deductions from operating revenue for bad debt are estimated at \$62,772 or approximately 1.0% of total gross revenue in Year Two.
- There are no charity care designations in Year One and Year Two of the proposed project.

Charges

Summarizing from the revised Projected Data Chart the average patient daily charges are as follows:

- The proposed average gross per diem charge is \$421.61/day in FY2018; however, the net charge after contractual adjustments amounts to \$417.39 per day. Net charges decrease to \$411.94 in FY2019.

Note to Agency Members: Section 4432(a) of the Balanced Budget Act of 1997 changed how payment is made for Medicare skilled nursing facility services from a cost based to a per-diem prospective payment system (PPS) covering all costs (routine, ancillary and capital) related to the services furnished to beneficiaries under Part A of the Medicare program. Under PPS, payments for each admission are case-mix adjusted to classify residents into a Resource Utilization Group (RUG) category based on data from resident assessments and relative weights developed from staff time data. Source: "Skilled Nursing Facility PPS", CMS.gov.

Medicare/TennCare Payor Mix

- Medicare and Managed Medicare- In FY2018 2019 the applicant projects gross revenue of \$5,018,390 or approximately 98.4% of total revenue.
- TennCare/Medicaid - In FY2018 and 2019 the applicant projects no gross revenue from TennCare/Medicaid.

PROVIDE HEALTHCARE THAT MEETS APPROPRIATE QUALITY STANDARDS

Licensure

- If approved, LP Johnson City, LLC will be licensed by the State of Tennessee.
- A copy of the most recent survey for Princeton Transitional Care is located at Attachment (III) Contribution to the Orderly Development of Health care- 4 (b).

Certification

- The applicant will seek certification from Medicare.

Accreditation

- The applicant will not seek accreditation.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE

Agreements

- The applicant plans to develop transfer agreements with Mountain States Health Alliance Hospitals, East Tennessee State University, James H. Quillen College of Medicine, nursing homes, and other health care providers.

Impact on Existing Providers

- The proposal will not have any negative impact on other providers as the applicant is not requesting additional licensed beds.

Staffing

The applicant provided the direct patient care staffing of the proposed 47 bed facility. The staffing in full time equivalents in Year 1 is shown below.

- 4.0 FTE-Registered Nurses
- 6.9 FTE-LPN's
- 14.5 FTE-Nurse Aides
- 25.4 Total FTEs

Corporate and property documentation are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in **two** years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT

There are no other Letters of Intent, denied, pending applications, or outstanding Certificates of Need for this applicant.

Mountain States Health Alliance has an interest in this project and the following:

Pending Applications

Unicoi County Memorial Hospital, CN1608-030, has a pending application to be heard at the December 14, 2016 Agency meeting. The application is for the relocation and replacement of Unicoi County Memorial Hospital with a 41,500 SF 10 bed acute care replacement facility that will include an emergency department with 10 treatment rooms at an unaddressed sit on Temple Road, Erwin (Unicoi County), TN. The estimated project cost is **\$19,999,142**.

Johnson City Medical Center, CN1610-035, has a pending application to be heard under Consent Calendar at the December 14, 2016 Agency meeting. The application is for the addition of a 1.5T MRI scanner. The estimated project cost is **\$2,023,108**.

Outstanding Certificates of Need

East Tennessee Healthcare Holdings, Inc., CN1605-021A, has an outstanding Certificate of Need which will expire on October 1, 2018. It was approved at the August 24, 2016 Agency meeting for the establishment of a nonresidential substitution-based treatment center that provides opiate addiction treatment. Mountain States Health Alliance (MSHA) and East Tennessee State University (ETSU) formed the not-for-profit corporation ETHHI to be licensed by the Department of Mental Health and Substance Abuse Services (THMHSAS). East Tennessee Health Holdings, Inc. will provide individual counseling and group therapy and will be limited to the provision of methadone as a medication assisted treatment option to prevent symptoms of withdrawal in Year One and Year Two of the project, and will add the medication suboxone in Year Three. The estimated project cost is **\$1,747,777.00**. *Project Status Update: The CON was recently approved.*

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no Letters of Intent, denied, pending applications, or outstanding Certificates of Need for other health care organizations in the service area proposing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, HEALTH CARE THAT MEETS APPROPRIATE QUALITY STANDARDS, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME (11/22/16)

LETTER OF INTENT



State of Tennessee
Health Services and Development Agency

Andrew Jackson Building, 9th Floor

502 Deaderick Street

Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in the Johnson City Press which is a newspaper of general circulation in Washington County, Tennessee, on or before September 2, 2016 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that: LP Johnson City, LLC, a Delaware limited liability company qualified to do business in Tennessee and which is a joint venture between SHC LP Holdings III, LLC, an affiliate of Signature HealthCARE, LLC ("SHC") and Blue Ridge Medical Management Corporation, an affiliate of Mountain States Health Alliance ("MSHA"), intends to file an application for a Certificate of Need for a forty-seven (47) bed replacement nursing home facility to be located at 401 Princeton Road, Johnson City, TN (Washington County) on the campus of what was formerly Northside Hospital. The proposed new facility will be managed by Signature Healthcare Consulting Services, LLC and Signature Healthcare Clinical Consulting Services, LLC and will relocate and replace, respectively, two existing MSHA nursing home facilities, the thirty-four (34) bed Princeton Transitional Care [(Lic. #337)] located within Johnson City Medical Center at 400 N. State of Franklin Road, Johnson City, TN (Washington County) and Franklin Transitional Care, which holds an inactive license for a thirteen (13) bed nursing home facility at 400 N. State of Franklin Road, Johnson City, TN (Washington County). There is no major medical equipment required for this project. If approved, the project and its beds will be licensed by the Tennessee Department of Health as nursing home beds and certified for participation in Medicare. The estimated project cost is \$8,571,736.00.

The anticipated filing date of the application is on or before September 7, 2016. The contact person for this project is Christopher C. Puri, Attorney, who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, TN 37203. Mr. Puri's telephone number is 615-252-4643 and his e-mail address is cpuri@bradley.com.

Christopher C. Puri

Signature

September 2, 2016

Date

cpuri@bradley.com

E-mail Address

The Letter of Intent **must be filed in triplicate** and **received between the first and the tenth** day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
 Andrew Jackson Building, 9th Floor
 502 Deaderick Street
 Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Original Application
Copy

LP Johnson
City, LLC

CN1609-032

LP JOHNSON CITY, LLC

CERTIFICATE OF NEED APPLICATION

CONSTRUCTION OF A FORTY-SEVEN (47)
BED REPLACEMENT NURSING HOME



State of Tennessee
Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

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SUPPLEMENTAL #1

September 28, 2016

12:19 pm

CERTIFICATE OF NEED APPLICATION

SECTION A: APPLICANT PROFILE

1. Name of Facility, Agency, or Institution

LP Johnson City, LLC

Name

401 Princeton Road

Street or Route

Washington

County

Johnson City

TN

37601

City

State

Zip Code

Website address: Not Applicable

*Note: The facility's name and address **must be** the name and address of the project and **must be** consistent with the Publication of Intent.*

2. Contact Person Available for Responses to Questions

Christopher C. Puri

Name

Attorney

Title

Bradley Arant Boult Cummings, LLP

Company Name

cpuri@bradley.com

Email address

1600 Division Street, Suite 700

Street or Route

Nashville

City

TN

State

37203

Zip Code

Attorney for Project

615-252-4643

Association with Owner

Phone Number

615-252-4706

Fax Number

NOTE: **Section A** is intended to give the applicant an opportunity to describe the project. **Section B** addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care.

Please answer all questions on **8½" X 11" white paper, clearly typed and spaced, single or double-sided, in order and sequentially numbered. In answering, please type the question and the response.** All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). **Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.**

3. SECTION A: EXECUTIVE SUMMARY

A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

- 1) Description – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;
- 2) Ownership structure;
- 3) Service area;
- 4) Existing similar service providers;
- 5) Project cost;
- 6) Funding;
- 7) Financial Feasibility including when the proposal will realize a positive financial margin; and
- 8) Staffing.

RESPONSE:

1) Description:

LP Johnson City, LLC (Applicant) was created by a joint venture between affiliates of Signature HealthCARE (SHC) and Mountain States Health Alliance (MSHA). LP Johnson City, LLC seeks approval from the Health Services and Development Agency (HSDA) for a Certificate of Need to construct a forty-seven (47) bed replacement nursing home to be located at 401 Princeton Road, Johnson City, TN 37601 (Washington County). The new nursing home will be located on the campus of what was formerly Northside Hospital. The applicant proposes to replace two (2) currently licensed facilities (both within Washington County) with a single replacement facility pursuant to T.C.A. §68-11-1627. The facilities being replaced are the thirty-four (34) bed Princeton Transitional Care (PTC) and the thirteen (13) bed Franklin Transitional Care (FTC). Both facilities are currently owned by and licensed to MSHA, but will be transferred to the Applicant as part of the joint venture agreement. PTC is Medicare certified and is currently managed by LP Johnson City, LLC (as described above in Section A). FTC has not operated since July 1, 2012 and is currently on inactive licensure status. The proposed replacement skilled nursing facility will be part of a campus that offers an overall continuum of long term care, including assisted care living. The applicant has no other outstanding but unimplemented certificates of need.

The new skilled nursing facility will be part of a modernized, state-of-the-art building and campus on the now closed Northside Hospital site. A newly constructed single-story, seventy-three thousand one hundred sixty-eight (73,168) square foot building will include both forty-seven (47) beds dedicated to the Skilled Nursing Facility (SNF), as well as sixty (60) assisted care living facility (ACLF) beds. The square footage for the building will be apportioned with the SNF occupying thirty-three thousand thirty-seven (33,037) square feet of the total seventy-three thousand one hundred sixty-eight (73,168) square feet proposed, or approximately forty-five (45%) percent of the space. The SNF is designed to have all private rooms and state of the art support spaces (i.e., lounges, activity/craft rooms, therapy gym, resident dining, etc.). The building will be fully air conditioned and sprinkled. In addition, the facility will be technologically advanced, with wireless internet throughout the

facility and abundant access to the internet and other web-based services. Other special features include outdoor walking spaces for therapy and treatment, a chapel/movie theater, bank, post-office, coffee bistro, ice cream parlor, activity/craft area and covered patios. The facility will also include large and expansive therapy gym spaces as well as three outdoor courtyards. One courtyard each specifically for the SNF and ALF and one shared as a meditation garden courtyard. The preliminary design for the facility calls for modern finishes throughout, including wood (VCP) flooring, full furnished electric beds, flat screen televisions and a vaulted entry.

In order to meet the changing physical, psychological and medical requirements of the residents, this facility will be conceptualized from the onset with an interdisciplinary team including, but not limited to, designers, technicians, health care managers, practitioners and construction specialists. Collectively, the framework for this built environment is approached with a flexible and creative attitude designed to enhance and extend the quality of life, health, well-being, safety, employee effectiveness and patient care. Patient safety, privacy, comfort, handling, movement and infection control are core considerations that are paramount to the planning phase and are carefully considered in every step of the process. The facility shall promote socialization, dignity, and independence while minimizing the negative aspects of an institutional environment. In addition to the required services necessary for complete operation of the facility, the applicant is implementing additional components and services through creative planning, layout, systems design and environment control in order to enhance the physical environment.

2) Ownership Structure:

The Applicant, LP Johnson City, LLC, a Delaware limited liability company, is a joint venture between its two parent entities. SHC LP Holdings III, LLC, and affiliate of Signature HealthCARE, LLC (SHC) and Blue Ridge Medical Management Corporation, an affiliate of Mountain States Health Alliance (MSHA) own, fifty-five and one half percent (55.50%) and forty-four and one half percent (44.50%) of the Applicant, respectively. A copy of the executed Joint Venture Agreement between the parties at Attachment Section A-4B-2.

The proposed project will be built and developed through a development agreement with Ramsey Development, LLC (discussed below and at See Attachment Section A-6A. To facilitate the Agency's understanding of the development of the project and the joint venture nature of the arrangement between MSHA and SHC, we have provided an ownership and control flow chart, and letter agreements documenting the joint venture contributions at See Attachment Section A-6A. This cooperative approach represents sound healthcare planning and a novel approach to the alignment of acute and post-acute providers. As discussed below, MSHA will contribute to the Joint Venture the licensure and operating rights of the two existing facilities, PTC and FTC, as well as the control of the real estate for the proposed facility site. SHC is contributing various cash and other equivalents, including furniture, fixtures, and equipment (FF&E). SHC, through its related management companies, will operate the facility once constructed and operating. Both MSHA and SHC will collaborate on the oversight of the project once developed including continuing opportunities for clinical integration.

Founded in 1998, MSHA has historical community roots in the Johnson City Medical Center (JCMC) (1980-Present), Memorial Hospital (1951-1980), and Appalachian Hospital (1911-1951). The hospital system includes fourteen (14) hospitals providing a core of acute care, hospital-based services, and an array of supporting services. In addition, MSHA operates urgent care centers, outpatient facilities, laboratory and radiology services, physician practices, long term care and rehabilitation facilities, and community-based prevention and educational activities to a population of over 1.1 million residents of southern and central Appalachia. The twenty-nine (29) county service area consists of counties from Tennessee, Virginia, Kentucky and North Carolina. With respect to ownership in other health care

institutions, the Applicant has no such interests. Its parent entities involved in the joint venture do, however. Mountain States Health Alliance (MSHA) [<https://www.mountainstateshealth.com/>] formed in 1998, is the largest healthcare system in Northeast Tennessee and Southwest Virginia. It operates thirteen (13) hospitals within that service area and employs approximately 10,000 team members and associated physicians in those facilities.

SHC [<http://ltcrevolution.com/>] is a long term health care and rehabilitation company with one hundred forty-four (144) locations (with 130 being SNFs) in eleven (11) states and nearly twenty-four thousand (24,000) employees. SHC's organizational culture is founded on three pillars: Learning, Spirituality, and Intra-preneurship. The applicant is LP Johnson City LLC. LP Johnson City LLC is a Delaware limited liability company who will be the future licensee of the new facility. This LLC is wholly owned through a joint venture structure between affiliates of MSHA and SHC, fifty-five and one half percent (55.50%) and forty-four and one half percent (44.50%), respectively.

SHC owns and operates skilled nursing facilities in multiple states (Alabama, Florida, Georgia, Indiana, Kentucky, Maryland, North Carolina, Ohio, Pennsylvania, Tennessee, and Virginia.), including thirty (30) locations in Tennessee. SHC's stated mission and vision is "to radically change the landscape of healthcare forever." Learning, Spirituality, and Intra-preneurship are the organizational pillars upon which SHC is built. These pillars form the foundation of the Company's commitment to revolutionizing nursing home care in the U.S. SHC is committed to advancing resident care through award-winning programs, dedicated staff development, and innovative partnerships that address the needs of our changing healthcare system. Its facilities have maintained a long standing reputation for quality and care of individuals along the entire spectrum of long term care.

3) Service Area:

The new construction will be five (5) miles from the current site of the one operating facility (PTC) with a primary service area of Washington County. The new nursing home will be located on the campus of what was formerly Northside Hospital. As a replacement project, the proposed project does not request new nursing home beds and will not increase or decrease the number of licensed nursing home beds within Washington County. As discussed below, the project is needed because it proposes to more efficiently and effectively deliver post-acute and long term care services than is currently being done within the existing facilities (PTC and FTC). The project meets applicable need guidelines for a replacement facility.

3) Existing similar service providers:

There are eight (8) other operating nursing homes in Washington County with 791 beds, besides two facilities controlled by the Applicant. One additional facility, ElderReed is closed and has been on inactive status for over one year.

The Applicant's project does not seek to increase the available supply of nursing home beds in the service area and therefore should have little to no impact on other providers. Existing need guidelines show a current need for 190 beds, increasing to 360 beds by the year 2020.

5-6) Project cost and Funding:

The estimated total project cost for the skilled nursing facility is \$8,571,736.00. The projected per square foot construction cost is \$185.18. The costs are below the third-quartile and compare favorably to similar projects recently approved by the HSDA. Funding

for this project will be through the use of existing cash reserves of the affiliated entities, SHC and MSHA. The included project data charts demonstrate that the new SNF will be financially feasible within twenty-four (24) months of opening

The Joint Venture (collectively through LP Johnson City, LLC and JCRNC RE, LLC) will accomplish construction of the project (the combined SNF and ALF) through a development agreement with Ramsey Development, LLC. See Attachment Section A-6A. The developer will design, build and lease the combined facility, a forty-seven (47) bed sub-acute nursing facility and sixty (60) bed assisted care living facility on the proposed site. JCRNC RE, LLC will pay rent to developer through a lease agreement, and then, between month 13 and month 24 of operation of the Facility. These terms are fixed by the terms of the lease agreement and require a purchase of the Facility from the developer for a purchase price of \$6,117,973 (the amount allocated to the skilled nursing facility of the total project acquisition price of \$13,549,494).

7) Financial Feasibility (including when the proposal will realize a positive financial margin):

The Applicant conducted a detailed market and pro-forma analysis to assure the financial viability of the project. Revenue and expense information for this proposal for Years 1 and 2 following project completion is included in the Projected Data Chart. Per the projected data chart, the SNF will show an operating profit in the first year of operations, and is projected to be positive in cash flow by month four (4) of operations. These conservative projections are based upon the initial movement of the existing PTC patients into the new facility upon completion, and then a projected increase in average census based on fill rates experienced at other SHC facilities after opening. For example, another SHC project in Tennessee experienced an increase in census of 67% percent upon take over to the end of year 2. This projection reflects a cash need in Year 1 of \$966,000. SHC will provide \$314,000 of that funding through a cash equity contribution to LP Johnson City, LLC and the cash remaining will be provided through a third party borrowing line against accounts receivables of LP Johnson City LLC. All borrowing will be fully paid back by month 27 of the project.

8) Staffing:

The facility will be organized and staffed to meet the needs of all patients with a particular emphasis on providing highly qualified staff needed to take care of residents with complex conditions and rehabilitation needs. With experience and resources to provide ongoing recruitment of staff, the Applicant's staffing projections are consistent with the resources needed to provide high quality, high level post-acute rehabilitation services. These services are very much in demand from consumers within the long term care market. Because existing staff will move with the opening of the new facility, the applicant anticipates the need to recruit few additional employees.

The Applicant proposes to provide skilled nursing services from the skilled facility. These services will include Medicare-covered skilled nursing facility services. The facility will accept most forms of private long term care insurance. In addition to skilled nursing facility, SHC will also provide home and community services (HCBS) as part of its service compliment through its affiliate organization, Silver Angels. Silver Angels is a large provider of HCBS in Tennessee, including participating in the Medicaid CHOICES program. Finally, assisted living services will be provided within the larger combined facility that the SNF is a portion thereof.

B. Rationale for Approval

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

- 1) Need;
- 2) Economic Feasibility;
- 3) Appropriate Quality Standards; and
- 4) Orderly Development to adequate and effective health care.

RESPONSE:

- 1) Need:

The project stems from an opportunity to enhance the post-acute care continuum available in the Washington County market. SHC and MSHA are partnering to enhance the provision of post-acute care services in the community and elevate the quality and continuity of care provided locally. MSHA has struggled over the years to maximize the effectiveness of its two skilled nursing facilities (PTC and FTC). As such, MSHA decided to seek an external partnership with SHC, who has expertise in long term care services and supports. The long term intention of this partnership is to develop a senior care campus which will provide a continuum of care for the older population – including skilled nursing care, assisted living, and independent/retirement living options.

While this project does not seek to increase the available supply of nursing home beds and is not strictly evaluated based on the need formula in T.C.A. §68-11-1622, that methodology more than demonstrates an existing and future need for these skilled nursing facility beds exists, evidencing demand for the proposed project. The projections for Washington County under existing need guidelines show a current need for 190 beds, increasing to 360 beds by the year 2020.

The Applicant also notes the project is aligned with recently revised standards for Nursing Home Services in the 2014 State Health Plan which encouraging facility modernization. These criteria were revised with the goal to provide support for an existing nursing home to modernize/update its facilities. At criteria 8, those standards encourage projects that modernize out of date facilities through replacement of the same existing facilities without increasing beds in the service area. The criteria state in part, "In particular, the HSDA should give preference to replacement facility applications that are consistent with the standards described in TCA §68-11-1627, such as facilities that seek to replace physical plants that have building and/or life safety problems"

- 2) Economic Feasibility;

The project will be funded from existing cash reserves of the joint venture's ownership. Both partners have documented their availability of funds to complete the project.

The SNF will show an operating profit in the first year of operations, and is projected to be positive in cash flow by month four (4) of operations. These conservative projections

are based upon the initial movement of the existing PTC patients into the new facility upon completion, and then a projected increase in average census based on fill rates experienced at other SHC facilities after opening.

3) Appropriate Quality Standards; and

As a Medicare certified skilled nursing facility the proposed facility will be surveyed both at the State and Federal level. The previous operating history of both FTC and PTC have demonstrated that quality care is being provided by the Applicant. SHC has one hundred forty-four (144) locations with 130 being SNFs in eleven (11) states and over twenty-four thousand (24,000) employees. The majority (approximately 55%) of SHC's facilities are above a 3-star rating from the federal Centers for Medicare & Medicaid Services, and thirty (30%) have 4-star or 5-star rating.

MSHA also serves as a key acute and post-acute care provider in the Upper East Tennessee area, and this partnership will allow it to continue to improve those services to residents. MSHA also serves as a key resource in the development of physicians in the area, and operates several programs to develop and support the medical and nursing workforce.

4) Orderly Development to adequate and effective health care.

The proposed project addresses a major concern for MSHA and SHC which has been the effectiveness of post-acute care resources in Washington County. Given the changing health care landscape and the vital role that post-acute care has in effective population health management, it is critical for a reorganization of this service offering. The partnership between SHC and MSHA seeks to enhance the continuity of care and improve operational efficiency for skilled nursing care in Washington County. Operating two small SNFs within the community has and will continue to be operationally inefficient without a reorganization of the use of the SNF beds. SHC's significant resources and expertise in providing quality care will serve to improve the post-acute arena within Washington County.

In November of 2014, the HSDA approved CN1409-039, a CON application by MSHA to relocate the current thirty-four (34) licensed beds of PTC from James & Cecile Quillen Rehab Hospital at 2511 Wesley Street (37601) to 400 N. State of Franklin Rd., Johnson City (37601). Johnson City Medical Center designated space within its facility to temporarily house PTC's thirty-four (34) skilled nursing beds during construction of the new elder care campus to be constructed at the former Northside Hospital location (401 Princeton Road, Johnson City). Both SHC and MSHA felt it essential for the community to have continued access to these existing SNF services during the twelve (12) to eighteen (18) month construction phase. SHC is currently managing PTC (which is the current unit within JCMC). In the long term, JCMC and MSHA have determined that operating the thirty-four (34) bed SNF within JCMC will continue to have a negative impact to JCMC's existing bed capacity. Especially during peak census periods, JCMC believes utilization of the space within the hospital as medical surgical space more effectively fits with the needs of its service area.

Relocating the forty-seven (47) beds to the former Northside Hospital location provides the opportunity to create a dedicated senior care living community/campus with a continuum of services and a state of the art facility demanded by long term care consumers. At this location, there will be SNF, ALF, and independent/retirement living available with acute rehab services within walking distance. This campus will allow seniors to age in place with access to an abundance of senior care and post-acute

services. Additionally, consolidation of the beds improves operational efficiency and the orderly delivery of health care within the community.

C. Consent Calendar Justification

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

RESPONSE: The applicant does not seek consent calendar consideration.

4. **SECTION A: PROJECT DETAILS****Owner of the Facility, Agency or Institution**

A.

LP Johnson City, LLC

502-568-7800

Name

Phone Number

401 Princeton Road

Washington

Street or Route

County

Johnson City

TN

37601

City

State

Zip Code

B. **Type of Ownership of Control (Check One)**

A. Sole Proprietorship

F. Government (State of TN or
Political Subdivision)

B. Partnership

G. Joint Venture

C. Limited Partnership

H. Limited Liability Company

D. Corporation (For Profit)

I. Other (Specify)

E. Corporation (Not-for-
Profit)

Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence. Please provide documentation of the active status of the entity from the Tennessee Secretary of State's web-site at <https://tnbear.tn.gov/ECommerce/FilingSearch.aspx>. **Attachment Section A-4A.**

RESPONSE: Please reference Attachment Section A-4A for the copies of the Certificate of Formation (DE) and Certificate of Authorization (TN) for the Applicant, LP Johnson City, LLC, as well as proof of active status from the Tennessee.

Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% ownership (direct or indirect) interest.

RESPONSE: The Applicant, LP Johnson City, LLC, a Delaware limited liability company, is a joint venture between its two parent entities. SHC LP Holdings III, LLC, and affiliate of Signature HealthCARE, LLC (SHC) and Blue Ridge Medical Management Corporation, an affiliate of Mountain States Health Alliance (MSHA) own, fifty-five and one half percent (55.50%) and forty-four and one half percent (44.50%) of the Applicant, respectively. Please reference Attachment Section A-4B-1 for the organizational chart of the applicant. Also attached is a copy of the executed Joint Venture Agreement between the parties at Attachment Section A-4B-2.

5. **Name of Management/Operating Entity (If Applicable)**

Signature Healthcare Clinical Consulting Services, LLC and Signature Healthcare Consulting Services, LLC

Name

12201 Bluegrass Parkway

Jefferson

Street or Route

County

Louisville

KY

40299

City

State

Zip Code

Website address: <http://ltcrevolution.com/>

For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract. **Attachment Section A-5.**

RESPONSE: As of July 1, 2016, LP Johnson City LLC executed a management agreement with MSHA for the management and operation of PTC. LP Johnson City LLC has, in turn, contracted with Signature Healthcare Consulting Services, LLC and Signature Healthcare Clinical Consulting Services, LLC (SCS/SCCS) to provide certain of the management services that it is providing to MSHA and PTC.

SCS/SCCS will provide all operational and clinical staff and support for the new facility proposed by LP Johnson City, LLC. SCS/SCCS is part of SHC which has one hundred forty-four (144) locations in eleven (11) states and employs nearly twenty-four thousand (24,000) employees. SHC's organizational culture is founded on three pillars: Learning, Spirituality, and Intra-preneurship.

SCCS provides oversight of all aspects of resident care, compliance with state and federal regulations, and support for facility directors of nursing and their clinical staff. It partners with rehabilitation therapists, chaplains, activities, and all care team members to provide the very best comprehensive, person-centered care for SHC's residents and their families. A strong educational focus, tailored to meet individual career goals, provides the opportunity for staff to excel and become confident, competent care givers. SCS/SCCS' leadership includes a Chief Nursing Officer, a Chief Medical Officer, and a Director of Compliance.

Please reference Attachment Section A-5 that includes copies of the requested management agreements.

6A. Legal Interest in the Site of the Institution (Check One)

- | | | | |
|---------------------------------|---------------|--------------------|---------------|
| A. Ownership | <u> X </u> | D. Option to Lease | <u> </u> |
| B. Option to Purchase | <u> </u> | E. Other (Specify) | <u> </u> |
| C. Lease of <u> </u> Years | <u> X </u> | | |

Check appropriate line above: For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements **must include** anticipated purchase price. Lease/Option to Lease Agreements **must include** the actual/anticipated term of the agreement **and** actual/anticipated lease expense. The legal interests described herein **must be valid** on the date of the Agency's consideration of the certificate of need application.

RESPONSE: MSHA owns and holds good title to the site for the proposed new facility. MSHA will contribute the real estate for the location of the proposed project site to JCRNC RE, LLC. JCRNC RE, LLC is a Delaware limited liability company that is a real estate holding entity controlled by the MSHA-SHC Joint Venture, which will hold the real estate for the new facility. Included with Attachment Section A-6A (p1) is a copy of the deed for the proposed site.

Please note that the proposed new facility will also be the subject of a development agreement between the Applicant and the developer. A copy of the development agreement is at Attachment Section A-6A (p2). Under the terms of that Development Agreement, the developer will lease the proposed site for the new facility from JCRNC RE, LLC. After construction of the new facility, the developer will then lease the facility to LP Johnson City, LLC for the operation of the new facility. LP Johnson City LLC shall purchase ownership of the building during the period between month 13 and month 24 of operation of the new facility, as provided for in the facility lease agreement.

To facilitate the Agency's understanding of the development of the project and the joint venture nature of the arrangement between MSHA and SHC, we have provided an ownership and control flow chart, and letter agreements documenting the joint venture contributions at Attachment Section A-6A (p3).

6B. Attach a copy of the site's plot plan, floor plan, and if applicable, public transportation route to and from the site on an 8 1/2" x 11" sheet of white paper, single or double-sided. DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.

- 1) Plot Plan **must include**:
 - a. Size of site (***in acres***);
 - b. Location of structure on the site;
 - c. Location of the proposed construction/renovation; and
 - d. Names of streets, roads or highway that cross or border the site.

RESPONSE: Included in Attachment Section A-6B-1(a-d) is the plot plan for 401 Princeton Road, Johnson City. The size of the campus is 10.09 acres.

- 2) Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. On an 8 ½ by 11 sheet of paper or as many as necessary to illustrate the floor plan.

RESPONSE: Floor plans for the project are provided in Attachment Section A-6B-2.

- 3) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

RESPONSE: The facility location, 401 Princeton Road, Johnson City, TN 37601, is close to two (2) bus stop stations operated by Johnson City Transit. The first station is located at the corner of Wesley Street and Princeton Road which is a five (5) minute walk from the station to the facility. The other station is at Quillen Rehab and Wesley Avenue which is an 8 minute walk from the station to the facility. The site is also easily accessible by car as it lies just north of I-26 and is on Princeton Road, a major local street. Please see display maps attached at Attachment Section A-6B-3.

The facility is centrally located in Johnson City, TN; it is only one and one-tenth (1.1) miles from I-26. The facility is located on the campus with Quillen Rehab Center and within four (4) miles of the two primary care hospitals in the community. The facility is three and five-hundredths (3.05) miles from Franklin Woods Community Hospital and three and three-fourths (3.75) miles from Johnson City Medical Center.

Attachment Section A-6A, 6B-1 a-d, 6B-2, 6B-3.

7. Type of Institution (Check as appropriate--more than one response may apply)

- | | | |
|--|---------------------------------|----------|
| A. Hospital (Specify) _____ | H. Nursing Home | <u>X</u> |
| B. Ambulatory Surgical Treatment _____ | I. Outpatient Diagnostic Center | _____ |
| Center (ASTC), Multi-Specialty _____ | J. Rehabilitation Facility | _____ |
| C. ASTC, Single Specialty _____ | K. Residential Hospice | _____ |
| D. Home Health Agency _____ | L. Nonresidential Substitution- | _____ |
| E. Hospice _____ | Based Treatment Center for | |
| F. Mental Health Hospital _____ | Opiate Addiction | |
| G. Intellectual Disability _____ | M. Other (Specify) _____ | _____ |
| Institutional Habilitation Facility | | |
| ICF/IID | | |

Check appropriate lines(s).

8. Purpose of Review (Check appropriate lines(s) – more than one response may apply)

- | | |
|---|--------------------------------------|
| A. New Institution _____ | F. Change in Bed Complement _____ |
| B. Modifying an ASTC with _____ | [Please note the type of change |
| limitation still required per CON _____ | by underlining the appropriate |
| C. Addition of MRI Unit _____ | response: Increase, Decrease, |
| D. Pediatric MRI _____ | Designation, Distribution, |
| E. Initiation of Health Care _____ | Conversion, Relocation] |
| Service as defined in T.C.A. | G. Satellite Emergency Dept. _____ |
| §68-11-1607(4) | H. Change of Location <u>X</u> |
| (Specify) _____ | I. Other (Specify) <u>X</u> |
| | <u>Combined Replacement Facility</u> |

9. Medicaid/TennCare, Medicare Participation

MCO Contracts [Check all that apply]

___AmeriGroup ___United Healthcare Community Plan ___BlueCare ___TennCare Select

Medicare Provider Number 44-5356 for Princeton Transitional Care. Franklin Transitional Care is currently licensed but not certified for either Medicare or Medicaid

Medicaid Provider Number N/A (neither facility is currently Medicaid certified)

Certification Type Skilled Nursing Facility

If a new facility, will certification be sought for Medicare and/or Medicaid/TennCare?

Medicare XYes ___No ___N/A Medicaid/TennCare ___Yes XNo ___N/A

10. Bed Complement Data

A. Please indicate current and proposed distribution and certification of facility beds.

	<u>Current Licensed</u>	<u>Beds Staffed</u>	<u>Beds Proposed</u>	<u>*Beds Approved</u>	<u>**Beds Exempted</u>	<u>TOTAL Beds at Completion</u>
1) Medical						
2) Surgical						
3) ICU/CCU						
4) Obstetrical						
5) NICU						
6) Pediatric						
7) Adult Psychiatric						
8) Geriatric Psychiatric						
9) Child/Adolescent Psychiatric						
10) Rehabilitation						
11) Adult Chemical Dependency						
12) Child/Adolescent Chemical Dependency						
13) Long-Term Care Hospital						
14) Swing Beds						
15) Nursing Home – SNF (Medicare only)	<u>34</u>	<u>34</u>	<u>47</u>	<u>0</u>	<u>0</u>	<u>47</u>
16) Nursing Home – NF (Medicaid only)						
17) Nursing Home – SNF/NF (dually certified Medicare/Medicaid)						
18) Nursing Home – Licensed (non-certified)	<u>13</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
19) ICF/IID						
20) Residential Hospice						
TOTAL	<u>47</u>	<u>34</u>	<u>47</u>	<u>0</u>	<u>0</u>	<u>47</u>

*Beds approved but not yet in service

**Beds exempted under 10% per 3 year provision

B. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services. **Attachment Section A-10.**

C. Please identify all the applicant's outstanding Certificate of Need projects that have a licensed bed change component. If applicable, complete chart below.

<u>CON Number(s)</u>	<u>CON Expiration Date</u>	<u>Total Licensed Beds Approved</u>

11. **Home Health Care Organizations – Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply: NOT APPLICABLE**

	Existing Licensed County	Parent Office County	Proposed Licensed County		Existing Licensed County	Parent Office County	Proposed Licensed County
Anderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lauderdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bedford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lawrence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Benton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lewis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lincoln	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Blount	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Loudon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bradley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McMinn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Campbell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McNairy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cannon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Macon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carroll	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Madison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cheatham	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marshall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chester	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Maurry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Claiborne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Meigs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clay	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Monroe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cocke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Montgomery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coffee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Moore	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Crockett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Morgan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cumberland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Obion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Davidson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Overton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decatur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Perry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DeKalb	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Pickett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dickson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Polk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Putnam	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fayette	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rhea	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fentress	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Roane	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Franklin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Robertson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gibson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rutherford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Giles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Scott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grainger	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sequatchie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Greene	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sevier	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grundy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Shelby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamblen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamilton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Stewart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hancock	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sullivan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardeman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sumner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Tipton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hawkins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Trousdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Haywood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Unicoi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Union	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Van Buren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hickman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Warren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Houston	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Washington	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Humphreys	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wayne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jackson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Weakley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jefferson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	White	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Johnson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Williamson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knox	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wilson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lake	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

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12. Square Footage and Cost Per Square Footage Chart

Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage		
					Renovated	New	Total
Patient Rooms				13,278		\$185.18	\$2,458,820
Activities				601		\$185.18	\$111,293
Lounge/Lobby Sitting Area				813		\$185.18	\$150,551
Dining				1,258		\$185.18	\$232,956
Patient Care Support				1,503		\$185.18	\$278,326
Rehab				2,899		\$185.18	\$536,837
Other Common				6,205		\$185.18	\$1,149,042
							\$0
Mechanical/Electrical				296		\$185.18	\$54,813
Circulation/Structure				6,184		\$185.18	\$1,145,153
Unit/Department GSF Sub-Total				26,557		\$185.18	\$4,917,825
Other GSF Total				6,480		\$185.18	\$1,199,966
Total GSF				33,037		\$185.18	\$ 6,117,973
*Total Cost							\$ 6,117,973
**Cost Per Square Foot						\$185.18	
Cost per Square Foot Is Within Which Range (For quartile ranges, please refer to the Applicant's Toolbox on www.tn.gov/hsda)					<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input type="checkbox"/> Above 3 rd Quartile	<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input checked="" type="checkbox"/> Above 3 rd Quartile	<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input checked="" type="checkbox"/> Above 3 rd Quartile

* The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart. ** Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.

13. MRI, PET, and/or Linear Accelerator NOT APPLICABLE

- Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding a MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or
- Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:

A. Complete the chart below for acquired equipment.

<input type="checkbox"/> Linear Accelerator	Mev _____	Types:	<input type="checkbox"/> SRS	<input type="checkbox"/> IMRT	<input type="checkbox"/> IGRT	<input type="checkbox"/> Other _____
	Total Cost*:		<input type="checkbox"/> By Purchase			
			<input type="checkbox"/> By Lease	Expected Useful Life (yrs) _____		
<input type="checkbox"/> New	<input type="checkbox"/> Refurbished	<input type="checkbox"/> If not new, how old? (yrs) _____				

<input type="checkbox"/> MRI	Tesla: _____	Magnet:	<input type="checkbox"/> Breast	<input type="checkbox"/> Extremity		
			<input type="checkbox"/> Open	<input type="checkbox"/> Short Bore	<input type="checkbox"/> Other _____	
	Total Cost*:		<input type="checkbox"/> By Purchase			
			<input type="checkbox"/> By Lease	Expected Useful Life (yrs) _____		
<input type="checkbox"/> New	<input type="checkbox"/> Refurbished	<input type="checkbox"/> If not new, how old? (yrs) _____				

<input type="checkbox"/> PET	<input type="checkbox"/> PET only	<input type="checkbox"/> PET/CT	<input type="checkbox"/> PET/MRI			
			<input type="checkbox"/> By Purchase			
	Total Cost*:		<input type="checkbox"/> By Lease	Expected Useful Life (yrs) _____		
<input type="checkbox"/> New	<input type="checkbox"/> Refurbished	<input type="checkbox"/> If not new, how old? (yrs) _____				

* As defined by Agency Rule 0720-9-.01(13)

- B. In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of equipment lease, provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.
- C. Compare lease cost of the equipment to its fair market value. Note: Per Agency Rule, the higher cost must be identified in the project cost chart.

RESPONSE: Not Applicable.

D. Schedule of Operations:

Location	Days of Operation (Sunday through Saturday)	Hours of Operation (example: 8 am – 3 pm)
Fixed Site (Applicant)	_____	_____
Mobile Locations (Applicant)	_____	_____
(Name of Other Location)	_____	_____
(Name of Other Location)	_____	_____

- E. Identify the clinical applications to be provided that apply to the project.
- F. If the equipment has been approved by the FDA within the last five years provide documentation of the same.

RESPONSE: Not Applicable.

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with T.C.A. § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care." Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper, single-sided or double sided. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. **If a question does not apply to your project, indicate "Not Applicable (NA)."**

QUESTIONS

NEED

1. Provide a response to each criterion and standard in Certificate of Need Categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the Tennessee Health Services and Development Agency or found on the Agency's website at <http://www.tn.gov/hsda/article/hsda-criteria-and-standards>.

Responses to Criteria for Construction, Renovation, Expansion, and Replacement of Health Care Institutions

1. **Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.**

RESPONSE: Not applicable to this project. The Applicant is requesting CON approval to build a new replacement facility and this project does not involve the addition of beds, services or major medical equipment.

2. **For relocation or replacement of an existing licensed health care institution:**

- a. **The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.**

RESPONSE: The replacement, renovation and relocation of the PTC and FTC skilled nursing facilities has been an operational goal of MSHA for several years, since the realization that the operational efficiencies of each of the separate units were not sustainable. As noted, the FTC facility was closed by MSHA several years ago because the facility was not operationally feasible and efficient.

The current site of PTC was approved by HSDA in CN1409-039 with the express purpose of serving as an interim location until the construction of a new modern, comprehensive campus designed to meet the needs of the elderly population through the provision of skilled care and assisted living services could be completed. As stated above, this new site will be on the

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former Northside Hospital property. The advantage of that site is its proximity to the current campus of Quillen Rehab Hospital, further enhancing the ability of the MSHA and SHC partnership to deliver a complete continuum of post-acute and long term care services and support.

Renovation at the current site has not been considered, because the existing site of PTC has been intended as an interim step towards the development of a modern post-acute/long term care campus with the ability to support a continuum of residents with such needs. Bringing such a plan to existence, at the existing site, is not feasible in the out-of-date physical plants that exist for these skilled nursing facilities. The existing space within the hospital is needed for medical/surgical services to meet the community's need.

Additionally, the construction of a new modern facility allows the existing SNF to continue to operate and provide services to the MSHA patient community while the new facility is constructed. This provides an operational advantage over a proposal that would perform limited renovations on an existing facility, because patient care would inevitably be interrupted.

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

RESPONSE:

While this project does not seek to increase the available supply of nursing home beds and is not strictly evaluated based on the need formula in T.C.A. §68-11-1622, that methodology more than demonstrates an existing and future need for these skilled nursing facility beds exists. The projections for Washington County are as follows:

WASHINGTON COUNTY Age- Formula/Year	Factor	2016 Pop.	2016 Need	2017 Pop.	2017 Need	2018 Pop.	2018 Need	2019 Pop.	2019 Need	2020 Pop.	2020 Need
0-64 (x .0005)	0.0005	109,586	55	110,439	55	111,294	56	112,030	56	113,300	57
65-74 (x .0120)	0.012	14,238	171	14,807	178	15,219	183	15,780	189	16,318	196
75-84 (x .0600)	0.06	7,061	424	7,326	440	7,749	465	8,135	488	8,517	511
85 + (x .1500)	0.15	2,932	440	3,039	456	3,138	471	3,215	482	3,302	495
Projected Need											
Total Existing Beds			877		877		877		877		877
Total Outstanding Beds			0		0		0				0
BED NEED			212		251		297		339		382

As the table demonstrates, existing and future need for skilled nursing facility beds is acceptable and is projected to become even more acute, evidencing demand for the proposed project.

Those numbers demonstrate how the aging baby boomer population is requiring an ever increasing demand for post-acute care. Tennessee's recently revised 2014 State Health Plan

recognizes this increasing demand as a result of patients leaving a hospital setting and requiring skilled nursing assistance in hopes of re-acclimating to the lifestyle accustomed prior to the acute care setting. In the recently revised Nursing Home Services Standards, the Health Plan states:

Research published by the Henry J. Kaiser Family Foundation in 2013 (<http://kff.org/Medicaid/fact-sheet/overview-of-nursing-facility-capacity-financing-and-ownership-in-the-united-states-in-2011>) shows that a majority of people over the age of 65 will need long term care services for an average of three years, and 20 percent of people will need more than five years of services. The percentage of the population over the age of 65 is expected to increase as the "baby boom" generation ages, and specifically the number of people 85 and older is expected to grow significantly. Tennessee's population projections are in-line with those reported nationally, if not slightly higher, for these age groups.

The plan goes on to state,

"When considering replacement facility or renovation applications that do not alter the bed component within the Service Area, the HSDA should consider as the primary factor whether a replacement facility's own occupancy rate could support its economic feasibility, instead of the occupancy rates of other facilities in the Service Area." (Emphasis added)

There has been renewed focus in the opportunity to better maximize skilled nursing facilities and other post-acute care resources as bundled payments, Accountable Care Organizations (ACO), and other payment reform mechanisms continue to be implemented across the country. It is essential patients receive the most appropriate care in the lowest cost setting and post-acute care is considered a significant opportunity to lower costs, improve quality through enhanced coordination of care, reduce hospital readmissions, and so forth. These very reasons are why MSHA and SHC formed a partnership.

Outlined below are the historical trends for SNF volumes at PTC.

Princeton Transitional Care Volumes
FY2010 – FY2015

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	TTM 10/15
Admissions	889	705	692	706	813	723	739
Patient Days	11,131	10,173	8,622	8,950	8,839	8,261	8,880
Average Length of Stay	12.5	14.4	12.5	12.7	10.9	11.4	12.0
Licensed Beds	34	34	34	34	34	34	34
Occupancy	89.70%	81.90%	69.50%	72.10%	71.20%	66.57%	71.56%

Sources: Joint Annual Reports; MSHA Internal Data

The need for skilled nursing facility services will continue in the service area, especially given the higher than national rates of elderly. The ultimate goal of the joint venture is to develop a

senior care campus which will provide coordinated care options for those requiring skilled care, assisted living and/or independent/retirement living options to help meet this increasing need. It will also allow the development of a cutting edge senior focus continuum of care community, which is needed in the service area.

3. For renovation or expansions of an existing licensed health care institution:

- a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.**

Not applicable because the project is not renovating nor expanding an existing facility.

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.**

Not applicable because the project is not renovating nor expanding an existing facility.

Responses to Criteria for Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards and 2014 State Health Plan Criteria for Nursing Home Beds

(4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the Commission may consider, in addition to the foregoing factors, the following factors:

- (a) Need. The applicant should show the proposed new site will serve the healthcare needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.**

The Applicant notes the project is aligned with recently revised standards for Nursing Home Services in the 2014 State Health Plan. These criteria were revised with the goal to provide support for an existing nursing home to modernize/update its facilities. At criteria 8, those standards encourage projects that modernize out of date facilities through replacement of the same existing facilities without increasing beds in the service area, stating:

Encouraging Facility Modernization: The HSDA may give preference to an application that:

- a. Proposes a replacement facility to modernize an existing facility;*
- b. Seeks a certificate of need for a replacement facility on or near its existing facility operating location. The HSDA should evaluate whether the replacement facility is being located as closely as possible to the location of the existing facility and, if not, whether the need for a new, modernized facility is being impacted by any shift in the applicant's market due to its new location within the Service Area; and*
- c. Does not increase its number of operating beds.*

In particular, the HSDA should give preference to replacement facility applications that are consistent with the standards described in TCA §68-11-1627, such as facilities that seek to replace physical plants that have building and/or life safety problems, and/or facilities that seek to improve the patient-centered nature of their facility by adding home-like features such as private rooms and/or home-like amenities.

The Applicant's proposed site is located approximately five (5) miles from Johnson City Medical Center. Because of the proximity of the two facilities, the skilled nursing care needs in the community will be just as well-served as at the current site. The current site was approved by HSDA in CN1409-039 with the express purpose of serving as an interim location until the construction of a new modern, comprehensive campus designed to meet the needs of the elderly population through the provision of skilled care and assisted living services could be completed. This new senior care campus will be on the former Northside Hospital property which is adjacent to the current campus of Quillen Rehab Hospital. There is no ability to combine the two (2) existing facilities into a single efficiently operating skilled nursing facility other than on a new site. Consistent with the above criteria, there will be no increase in the number of licensed beds from the approval of a new facility and the new site is as close as feasible to the existing location. The continuum of services from independent living through acute hospital rehabilitation (i.e., Quillen) will increase the services to the target population above what is currently being offered.

The proposed new site will serve the healthcare needs in the area to be served at least as well as the original site. As noted above, the new location is a minimal distance (4 miles) from the existing location, and will provide significantly more space that allows for dedicated focus on long term care.

(b) Economic factors. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

RESPONSE: Approval of this project will enhance the provision of post-acute care services within Washington County. The construction of a senior care campus that will contain access to skilled nursing care, assisted living and retirement living options will better meet the needs of the community. Enhancement of valued post-acute care services will improve cost efficiencies for the overall healthcare delivery system as the cost of care for patients in an acute care setting is almost forty percent (40%) to sixty percent (60%) more compared to the post-acute care settings (i.e., skilled nursing, rehabilitation, and so forth). Improving access to these vital services in a senior friendly environment that leverages the expertise of a national, multi-state organization such as SHC will be very beneficial to this patient population.

(c) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

RESPONSE: Not applicable. Services will be provided at the existing location of PTC (at JCMC) until the new facility is constructed and licensed. Patients will be transferred to the new facility after the Certification process is completed. Enhanced services, both for acute care at JCMC and post-acute services (for current PTC patients) will be a direct result of the change of site.

The new skilled nursing facility will also directly benefit acute care services by allowing the current PTC space within JCMC to be transitioned back into medical/surgical beds and expanded services.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any, and how it relates to related previously approved projects of the applicant.

RESPONSE: The proposed project is consistent with the long-range plans of both partners, MSHA and SHC. As the healthcare delivery and reimbursement models have been changing in response to healthcare reform, there has been increased focus and attention given to post-acute care services. While MSHA has multiple resources in Washington County skilled nursing facilities, the system has not necessarily maximized the potential opportunities to completely leverage these resources. Recognizing their limited expertise in these areas, MSHA sought regional and national experts as potential partners. Following a very thorough and methodical process, MSHA chose a partnership with SHC for skilled nursing care and other senior care services.

SHC, is a growing long term care, rehabilitation and health care provider with one hundred forty-four (144) locations in eleven (11) states and over twenty-four thousand (24,000) employees. In 2013, the company was named one of Modern Healthcare's "Best Places to Work" for the third time. SHC's culture is built on three organizational pillars: Learning, Spirituality and Intra-preneurship.

This will be an advantageous partnership of MSHA's culture and SHC's regional expertise in skilled nursing care. Together it will be a tremendous value-add for the local community. SHC operates multiple locations within a geographic region to improve economies of scale and to ensure they are valuable partners in bundled payments, ACOs, and other payment reform mechanisms as they continue to be implemented across the country to improve health care delivery while reducing costs. Tennessee is one of the largest markets for SHC, currently operating thirty (30) facilities with five (5) in upper northeast Tennessee. Part of the Applicant's long term development plan is to move its services to meet the demands of the current market. Both private and governmental payors increasingly demand skilled nursing facilities to focus their efforts on post-acute care. The proposed patient-friendly campus will provide a range of senior care options, including skilled nursing care, assisted living and independent/retirement living. This will greatly expand services to the senior population within the service area. Additionally, the Applicant will operate a state-of-the-art facility that will be a leader in the market, providing high level post-acute care for the service area.

The partnership will enhance the quality of post-acute care services in the local community in a coordinated design with the existing acute care resources. The senior care campus that MSHA and SHC will develop includes forty-seven (47) skilled beds and sixty (60) assisted living beds. SHC has been managing the thirty-four (34) bed unit (PTC) since HSDA's approval of the relocation to Johnson City Medical Center; thus providing immediate benefit to the community as they leverage their expertise in skilled nursing care.

The new skilled nursing facility will also directly benefit acute care services by allowing the current PTC space within JCMC to be transitioned back into medical/surgical beds and expanded services.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following

page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the border states, if applicable. **Attachment – Section – Need-3.**

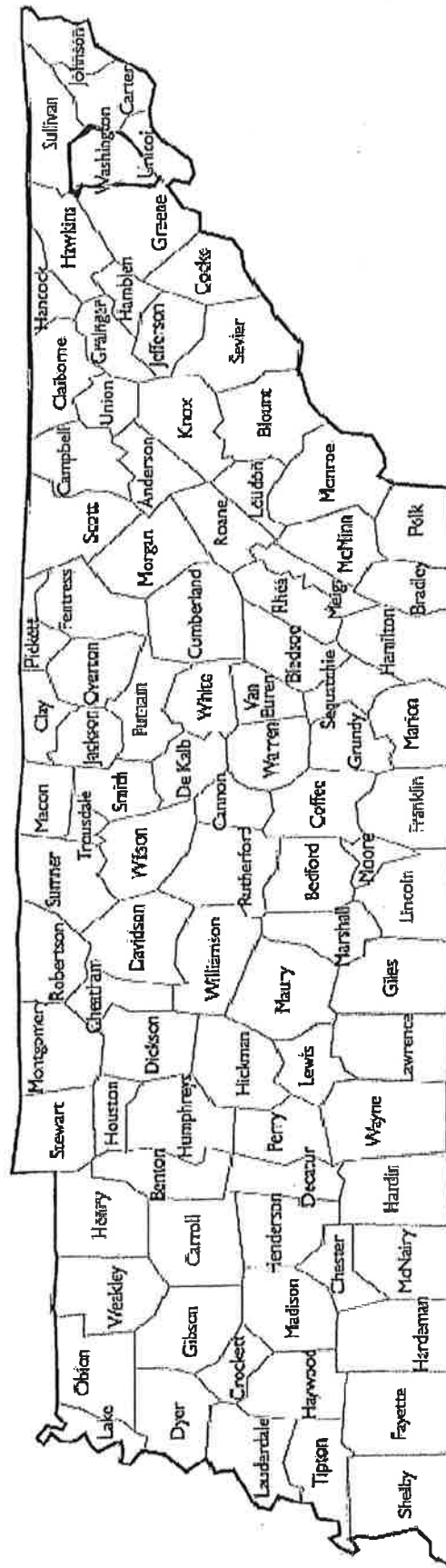
Please complete the following tables, if applicable:

Service Area Counties	Historical Utilization-County Residents	% of total procedures
County #1		
County #2		
Etc.		
Total		100%

Service Area Counties	Projected Utilization-County Residents	% of total procedures
County #1		
County #2		
Etc.		
Total		100%

RESPONSE: The proposed service area is Washington County. The service area is justified because this is the facility in which the existing facilities being replaced are located, the majority of patients are projected to come from the county, and the service area is within a 30 minute travel time to and from the proposed facility.

County Level Map



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4. A. 1) Describe the demographics of the population to be served by the proposal.
- 2) Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

RESPONSE: The following tables show the total population for Washington County, the project's service area. Analysis of the data predicts Washington County expects a six and seven tenths percent (6.7%) growth over the next five (5) years.

Projected Population Data: <http://www.tn.gov/health/article/statistics-population>

TennCare Enrollment Data: <http://www.tn.gov/tenncare/topic/enrollment-data>

Census Bureau Fact Finder: <http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

* Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.

Demographic Variable/Geographic Area	Department of Health/Health Statistics						
	Total Population-Current Year (2016)	Total Population-Projected Year (2020)	Total Population-% Change	*Target Population-Current Year (2016)	*Target Population-Project Year (2020)	*Target Population-% Change	Target Population Projected Year as % of Total
Washington County	133,817	140,905	5.3%	24,231	28,137	16.1%	20.0%
Service Area Total	133,817	140,905	5.3%	24,231	28,137	16.1%	20.0%
State of TN Total	6,812,005	6,962,031	2.2%	1,091,516	1,175,143	7.7%	16.9%

Demographic Variable/Geographic Area	Bureau of the Census (2014)				TennCare	
	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as % of Total	TennCare Enrollees	TennCare Enrollees as % of Total
Washington County	40	\$42,935	n/a	12.3%	25,754	19%
Service Area Total	40	\$42,935	n/a	13.1%	25,754	19%
State of TN Total	38	\$44,621	n/a	17.8%	1,557,955	23%

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- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

RESPONSE: The population in the project's primary service area has a higher concentration of individuals than state and national trends. In 2015, twenty percent (20%) of the project's service area will be ages of sixty-five (65) years and above, compared to sixteen percent (16%) in Tennessee and fifteen percent (15%) of the United States. Over the next five years, the population over sixty-five (65) years of age within the primary service area is projected to increase sixteen percent (16%), far exceeding general population growth of three percent (3%) percent. This growth substantiates the continued demand for services highly utilized by the elder population, including skilled nursing care, assisted living, and retirement living. The table below details the service area's age distribution.

Primary Service Area Population Distribution by Age Group - Washington Co.					
				Percent of Total	
Age Chort	2016	2020	% Growth	2016	2020
0 to 17	26,740	27,808	4%	20.0%	19.7%
65+	24,231	28,137	16%	18.1%	20.0%
Total	133,817	140,905	5%	100%	100%

Primary Service Area Population Distribution by Age Group - Tennessee					
				Percent of Total	
Age Chort	2016	2020	% Growth	2016	2020
0 to 17	1,570,687	1,614,001	3%	23.1%	22.7%
65+	1,091,516	1,266,295	16%	16.0%	17.8%
Total	6,812,005	7,108,031	4%	100%	100%

The primary service area demographics are similar to the United States in gender (fifty-one percent (51%) female, forty-nine percent (49%) male). The primary service area counties have a much lower median household income compared to the national average (\$40,216 versus \$51,371). The racial mix in the primary service area is predominately Caucasian, as they account for more than ninety-two percent (92%) of the population.

The Applicant and its ownership are committed to meeting the needs of the community and the region, as stated in their mission statements.

MSHA: *"to identify and respond to the health care needs of individuals and communities in our region and to assist them in attaining their highest possible level of health".*

SHC: *"to radically change the landscape of healthcare forever". SHC's family-based organization will revolutionize the healthcare industry through a culture of resident-centered healthcare services, personalized spirituality, real quality of life initiatives, and stakeholder education and empowerment, to earn the trust of every resident, family, and community we serve.*

The proposed site is accessible to all consumers, including women, racial and ethnic minorities, and low-income groups. SHC has a long-standing reputation for a devotion to assisting residents who are in need of rehabilitation services. The strong post-acute, post hospital market will be well served by the project's enhanced ability to deliver higher level rehab and post-acute care. Staffing patterns are indicative of a dedication to extensive services by therapists and other clinical personnel. The facility will provide services to Medicare, private insurance and private pay patients. Services will include physical, occupational and speech therapy services along with care given or supervised by registered nurses. Nurses provide direct care; manage, observe, and evaluate a patient's care; and teach the patient and his or her family caregiver. Examples include: giving IV drugs, shots, or tube feedings; changing dressings; and teaching about diabetes care.

The Applicant will continue to monitor and review its business plans and policies to take into consideration that business plans are built upon meeting the needs of the current and next generation of health care consumer.

5. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

RESPONSE: The proposed project is for the construction of a forty-seven (47) bed skilled nursing facility in Washington County, which is a combined replacement of two existing facilities

The bed accommodation mix by nursing home in the service area is as follows:

September 30, 2016

Nursing Home	Licensed Beds	Total Private Beds	Total Semi Private Beds	Total Companion Beds	Ward Beds
Agape Nursing and Rehabilitation Center, LLC (fka Asbury Place JC)	84	0	0	0	0
Appalachian Christian Village	103	41	62	0	0
Christian Care Center of Johnson City, Inc.	84	12	72	0	0
Four Oaks Health Care Center	84	1	80	0	3
John M. Reed Health & Rehab	63	3	60	0	0
Lakebridge Health Care Center	109	27	82	0	0
Life Care Center of Gray	125	10	109	0	6
NHC Healthcare, Johnson City	160	60	100	0	0
Princeton Transitional Care	32	2	30	0	0
Service Area Totals	975	187	679	0	9
<i>Proposed Project</i>	<i>47</i>	<i>47</i>	<i>0</i>	<i>0</i>	<i>0</i>

Nursing Home	2014 Lic.'d Beds	2012 Patient Days	2013 Patient Days	2014 Patient Days	2012 % Occ.	2013 % Occ.	2014 % Occ.	'12 vs. '14 Pt. Days	
								# Diff.	% Diff.
Asbury Place at Johnson City	84	26,638	23,962	7,664	86.88%	78.15%	25.00%	(18,974)	-71.2%
Appalachian Christian Village	103	34,394	33,568	32,696	91.49%	89.29%	86.97%	(1,698)	-4.9%
Christian Care Center of JC	84	22,515	26,992	27,042	73.43%	88.04%	88.20%	4,527	20.1%
Four Oaks Health Care Center	84	27,990	28,216	27,200	91.29%	92.03%	88.71%	(790)	-2.8%
John M. Reed Health & Rehab	63	17,742	14,934	18,600	77.16%	64.94%	80.89%	858	4.8%
Lakebridge Health Care Center	109	37,800	37,019	37,175	95.01%	93.05%	93.44%	(625)	-1.7%
Life Care Center of Gray	125	40,849	38,269	36,015	89.53%	83.88%	78.94%	(4,834)	-11.8%
NHC Healthcare, Johnson City	160	52,382	49,922	47,867	89.70%	85.48%	81.96%	(4,515)	-8.6%
Princeton Transitional Care	32	8,622	8,731	8,921	73.82%	74.75%	76.38%	299	3.5%
Agape Nursing & Rehab. Cntr	Prior to 2015 Agape was Asbury Place at Johnson City (see above)								
TOTAL	844	268,932	261,613	243,180	85.37%	83.29%	77.83%	(25,752)	-9.6%

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - A. All projects should have a project cost of at least \$15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee)
 - B. The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
 - C. The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
 - D. Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.
 - E. For projects that include new construction, modification, and/or renovation—**documentation must be** provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:
 - 1) A general description of the project;
 - 2) An estimate of the cost to construct the project;
 - 3) A description of the status of the site's suitability for the proposed project; and
 - 4) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

RESPONSE: Because the project will be purchased in the 13th month after opening, the purchase of the Facility from the developer is \$6,117,973 (the amount of the total project acquisition price of \$13,549,494 allocated to the new forty-seven (47) bed SNF). Total "construction only" costs are \$5,508,410.78, but those costs do not reflect the purchase price or project costs reflective of the project. As requested, documentation supporting the reasonableness of the cost estimate of the various phases of the project is included from the project architect, along with the statement the project will be completed according to all applicable codes, are provided at Attachment Section Economic Feasibility-1.

Note: Given the arrangement for the project, the amounts from lines 1,4,5, and 6 were used for the cost per square foot chart, as those numbers reflect the developer's price for the of the facility at the time of acquisition.

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PROJECT COST CHART

SUPPLEMENTAL #1

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A. Construction and equipment acquired by purchase:		
1. Architectural and Engineering Fees	-	
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	31,000	
3. Acquisition of Site	-	
4. Preparation of Site	-	
5. Total Construction Costs	6,117,973	
6. Contingency Fund	-	
7. Fixed Equipment (Not included in Construction Contract)	945,642	
8. Moveable Equipment (List all equipment over \$50,000 as separate attachments)	-	
9. Other (Specify) _____	-	
B. Acquisition by gift, donation, or lease:		
1. Facility (inclusive of building and land)	-	
2. Building only	-	
3. Land only	539,576	
4. Equipment (Specify) _____	-	
5. Other (Specify) _____ Facility Licenses	\$705,000	
C. Financing Costs and Fees:		
1. Interim Financing	-	
2. Underwriting Costs	-	
3. Reserve for One Year's Debt Service	-	
4. Other (Specify) _____ Closing costs	183,539	
D. Estimated Project Cost (A+B+C)	8,522,730	
E. CON Filing Fee	49,005.70	
F. Total Estimated Project Cost (D+E)		
	TOTAL	8,571,736

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2. Identify the funding sources for this project.

Check the applicable item(s) below and briefly summarize how the project will be financed. **(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)**

- ☒ A. Commercial loan – Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B. Tax-exempt bonds – Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C. General obligation bonds – Copy of resolution from issuing authority or minutes from the appropriate meeting;
- ☐ D. Grants – Notification of intent form for grant application or notice of grant award;
- ☒ E. Cash Reserves – Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or
- ☐ F. Other – Identify and document funding from all other sources.

RESPONSE: The project will be funded from existing cash reserves of the joint venture's ownership. Both partners have documented their availability of funds to complete the project. See Attachment C, Economic Feasibility (2).

3. Complete Historical Data Charts on the following two pages—**Do not modify the Charts provided or submit Chart substitutions!**

Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available. Provide a Chart for the total facility and Chart just for the services being presented in the proposed project, if applicable. **Only complete one chart if it suffices.**

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

RESPONSE: The following two (2) pages contain the Historical Data Chart and the Projected Data Chart. The historical data chart profiles JCMC's performance between FY2012 and FY2014. The projected data chart profiles PTC's estimated performance for the first two complete fiscal years of operation (FY2016 and FY2017).

Please note, because FTC has not been operational for the over this period, we have not included any information from the Facility and the historical data chart reflects only Princeton Transitional Care.

HISTORICAL DATA CHART

☒ Total Facility
☐ Project Only

Give information for the last three (3) years for which complete data are available for the facility or agency.
The fiscal year begins in July.

	Year - 2013	Year - 2014	Year - 2015
A. Utilization Data (<i>Adjusted Patient Days</i>)	8,731	8,921	8,261
B. Revenue from Services to Patients			
1. Inpatient Services	\$ 20,353,145	\$ 22,171,719	\$ 21,252,604
2. Outpatient Services	\$ -	\$ -	
3. Emergency Services	\$ -	\$ -	
4. Other Operating Revenue (Specify - _____)	\$ -	\$ -	
Gross Operating Revenue	\$ 20,353,145	\$ 22,171,719	\$ 21,252,604
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$ 16,012,178	\$ 18,109,384	\$ 18,399,668
2. Provisions for Charity Care	\$ 1,250,437	\$ 666,675	\$ 102,857
3. Provisions for Bad Debt	\$ 692,530	\$ 827,009	\$ 176,598
Total Deductions	\$ 17,955,145	\$ 19,603,068	\$ 18,679,123
NET OPERATING REVENUE	\$ 2,398,000	\$ 2,568,651	\$ 2,573,481
D. Operating Expenses			
1. Salaries and Wages	\$ 2,113,034	\$ 2,186,496	\$ 1,903,593
<i>a. Direct Patient Care</i>			
<i>b. Non-Direct Patient Care</i>			
2. Physician's Salaries and Wages			
3. Supplies	\$ 854,846	\$ 637,340	\$ 756,087
4. Rent			
<i>a. Paid to Affiliates</i>			
<i>b. Paid to Non-Affiliates</i>			
5. Management Fees			
<i>a. Paid to Affiliates</i>			
<i>b. Paid to Non-Affiliates</i>			
6. Other Operating Expenses	\$ 784,968	\$ 743,888	\$ 803,834
Total Operating Expenses	\$ 3,752,848	\$ 3,567,724	\$ 3,463,514
E. Earnings Before Interest, Taxes, and Depreciation	\$ (1,354,848)	\$ (999,073)	\$ (890,033)
F. Non-Operating Expenses			
1. Taxes	\$ 75,710	\$ 69,346	\$ 40,922
2. Depreciation	\$ 20,345	\$ 18,555	\$ 11,462
3. Interest, Other than Capital			
4. Other Non-Operating Expenses			
Total Non-Operating Expenses	\$ 96,055	\$ 87,901	\$ 52,384
NET OPERATING INCOME (LOSS)	\$ (1,450,903)	\$ (1,086,974)	\$ (942,417)
G.			
1. Estimated Annual Principal Debt Repayment	\$ -	\$ -	
2. Annual Capital Expenditure	\$ -	\$ -	
Total Other Deductions	\$ -	\$ -	

NET BALANCE			
DEPRECIATION			
FREE CASH FLOW (Net Balance + Depreciation)			

PROJECTED DATA CHART - OTHER EXPENSES

OTHER EXPENSES CATEGORIES		Year - 2013	Year - 2014	Year - 2015
1.	Fees, License & Permits, Rental Equipment, Indirect Expense Allocations	\$ 784,968.00	\$ 743,888.00	\$ 803,834.00
2.				
3.				
4.				
5.				
6.				
7.				
Total Other Expenses		\$ 784,968.00	\$ 743,888.00	\$ 803,834.00

4. Complete Projected Data Charts on the following two pages – **Do not modify the Charts provided or submit Chart substitutions!**

The Projected Data Chart requests information for the two years following the completion of the proposed services that apply to the project. Please complete two Projected Data Charts. One Projected Data Chart should reflect revenue and expense projections for the **Proposal Only** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility). The second Chart should reflect information for the total facility. **Only complete one chart if it suffices.**

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

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X Total Facility

X Project Only

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this project. The fiscal year begins in December - FOR PROJECT & FACILITY

	Year - 2018	Year - 2019
A. Utilization Data (=patient days)	12,091	15,087
B. Revenue from Services to Patients		
1. Inpatient Services	\$ 5,097,760	\$ 6,277,242
2. Outpatient Services	\$ -	\$ -
3. Emergency Services	\$ -	\$ -
4. Other Operating Revenue (Specify - _____)	\$ -	\$ -
Gross Operating Revenue	\$ 5,097,760	\$ 6,277,242
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$ -	\$ -
2. Provisions for Charity Care	\$ -	\$ -
3. Provisions for Bad Debt	\$ 50,978	\$ 62,772
Total Deductions	\$ 50,978	\$ 62,772
NET OPERATING REVENUE	\$ 5,046,783	\$ 6,214,469
D. Operating Expenses		
1. Salaries and Wages	\$ 1,635,611	\$ 1,986,412
a. Direct Patient Care	\$ 1,422,336	\$ 1,751,138
b. Non-Direct Patient Care	\$ 213,275	\$ 235,274
2. Physician's Salaries and Wages		
3. Supplies	\$ 568,939	\$ 688,808
4. Rent	\$ 581,353	\$ 691,259
a. Paid to Affiliates	\$ -	\$ 691,259
b. Paid to Non-Affiliates	\$ 581,353	\$ -
5. Management Fees	\$ 254,888	\$ 313,862
a. Paid to Affiliates	\$ 254,888	\$ 313,862
b. Paid to Non-Affiliates		
6. Other Operating Expenses	\$ 1,485,917	\$ 1,675,287
Total Operating Expenses	\$ 4,526,708	\$ 5,355,629
E. Earnings Before Interest, Taxes, and Depreciation	\$ 520,075	\$ 858,841
F. Non-Operating Expenses		
1. Taxes	\$ 375,392	\$ 405,210
2. Depreciation	\$ 58,985	\$ 63,218
3. Interest, Other than Capital	\$ 22,793	\$ 11,596
4. Other Non-Operating Expenses		
Total Non-Operating Expenses	\$ 457,171	\$ 480,023
NET OPERATING INCOME (LOSS)	\$ 62,904	\$ 378,817

G. Other Deductions

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1.	Estimated Annual Principal Debt Repayment	\$	-	11:12 am	-
2.	Annual Capital Expenditure	\$	59,400	\$	102,264
	Total Other Deductions	\$	59,400	\$	102,264
	NET BALANCE	\$	3,533	\$	276,533
	DEPRECIATION	\$	58,985	\$	63,218
	FREE CASH FLOW (Net Balance + Depreciation)	\$	62,518	\$	339,771

PROJECTED DATA CHART - OTHER EXPENSES

OTHER EXPENSES CATEGORIES		Year - 2018	Year - 2019
1	Nursing Services- Other	160,251	208,429
2	Plant, Laundry, House- Other	132,615	160,470
3	Therapy Services	807,389	832,490
4	General & Admin.- Other	385,662	473,899
5			
6			
7			

Total Other Expenses \$ 1,485,917 \$ 1,675,287

5. A. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

RESPONSE: The Applicant has provided this information in the Projected Data Chart and the project's charge information is as follows:

	Previous Year (2014)	Current Year (2015)	Year One	Year Two	% Change (Current Year to Year 2)
Gross Charge (Gross Operating Revenue/Utilization Data)	\$2,485	\$2,573	\$421.61	\$416.06	n/a
Deduction from Revenue (Total Deductions/Utilization Data)	\$2,197	\$2,261	\$4.22	\$4.16	n/a
Average Net Charge (Net Operating Revenue/Utilization Data)	\$287.93	\$311.52	\$417.39	\$411.94	n/a

- B. Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

RESPONSE: The Applicant has used the following average daily rates in its projections. The charges reflect the estimated rates that the applicant intends to receive during its first two (2) years of operation.

Projected SNF Private Room Rates (Net)

Projected SNF Private Room Rates (Net)

Description	FY2017	FY 2018
Medicare/Skilled Care	\$ 447.19	\$ 453.90
Managed Care	\$ 390	\$ 397.80
Private Pay	\$ 282.92	\$ 288.58

Because of the nature of the nursing home reimbursement system, the facility is paid a daily rate by Medicare under the Skilled Nursing Facility Prospective Payment System. As such, the facility must accept the rate from each governmental payor as payment in full. Note also that the lower managed and private rates pulls the total average down below the Medicare daily rate.

The Projected Data Chart does allocate an amount for bad debt. There are no other significant deductions from operating revenue and the Applicant's rate equates to its net charge with no significant difference between the gross and net charges. Year two rates for Private Pay and Managed Care are projected to increase by two percent (2%), and Medicare by one and one-half percent (1.5%), respectively.

The estimated revenue and payor mix for years one and two is as follows:

Revenue/Payor Mix	Year 1 Projected Revenue	% of Total	Year 2 Projected Revenue	% of Total
Medicare	\$ 3,200,182	62.80%	\$ 3,679,422	58.60%
Managed Medicare/Managed Care	\$ 1,818,208	35.70%	\$ 2,071,586	33.00%
Self Pay	\$ 79,370	1.50%	\$ 526,234	8.40%
	\$ 5,097,760		\$ 6,277,242	

After the initial census build up period of two (2) years, the revenue payor mix is expected to be fifty-eight percent (58%) Medicare, thirty-two percent (32%) Managed Care, and ten percent (10%) Private due to more private pay residents from the Assisted Living transitioning to the SNF.

C, Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

RESPONSE: The charges associated with skilled nursing services provided at PTC, which are reasonable in comparison to rates of other providers in the area, will not change as a result of this project. A table of with charge information for Washington County nursing homes from the most current 2014 Joint Annual Reports is listed below

Nursing Home	Agape Nursing and Rehabilitation Center, LLC (fka Asbury Place at Johnson City)	Appalachian Christian Village	Christian Care Center of Johnson City, Inc.	Four Oaks Health Care Center	John M. Reed Health & Rehab	Lakebridge Health Care Center	Life Care Center of Gray	NHC Healthcare, Johnson City
Medicare Skilled	\$ 205.00	\$ 402.00	\$ 218.00	\$ 409.00	\$ 390.00	N/A	\$ 380.00	\$ 443.00
TennCare Level 1	\$ 205.00	\$ 188.00	\$ 218.00	\$ -	\$ 173.00	N/A	\$ -	\$ 199.00
TennCare Level 2	\$ 205.00	\$ 173.00	\$ 238.00	\$ 149.00	\$ 151.00	N/A	\$ 150.00	\$ 156.00
Private Level 2	-	\$ 262.00	\$ 238.00	\$ -	\$ -	N/A	\$ 28.00	\$ 278.00
Private Level 1	-	\$ 223.00	\$ 218.00	\$ 185.00	\$ -	N/A	\$ 208.00	\$ 200.00
Semi-Private Level 2	\$ 205.00	\$ 243.00	\$ 218.00	\$ -	\$ 173.00	N/A	\$ 181.00	\$ 234.00
Semi-Private Level 1	\$ 205.00	\$ 243.00	\$ 218.00	\$ -	\$ 156.00	N/A	\$ 181.00	\$ 193.00

6. A. Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility. **NOTE: Publicly held entities only need to reference their SEC filings.**

RESPONSE: The applicant conducted a detailed market and pro-forma analysis to assure the financial viability of the project. Please see the Projected Data Chart located earlier in the application showing a two (2) year projection of revenue and expenses. The Applicant has specifically projected a conservative fill rate. Even with these conservative projections the project will have a positive cash flow by the second year of operation. SHC has had similar experience with only a 20- bed skilled nursing unit, which experienced a Year 1 ADC of 14, and Year 2 ADC of 15.

- B. Net Operating Margin Ratio – Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio	-37%	-39%	-35%	10%	14%

- C. Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: (Long-term debt/(Long-term debt/Total Equity (Net assets)) x 100).

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

7. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

RESPONSE: The estimated revenue and payor mix for years one and two is as follows:

Revenue/Payor Mix	Year 1 Projected Revenue	% of Total	Year 2 Projected Revenue	% of Total
Medicare	\$ 3,200,182	62.80%	\$ 3,679,422	58.60%
Managed Medicare/Managed Care	\$ 1,818,208	35.70%	\$ 2,071,586	33.00%
Self Pay	\$ 79,370	1.50%	\$ 526,234	8.40%
	\$ 5,097,760		\$ 6,277,242	

After the initial census build up period of two (2) years, the revenue payor mix is expected to be fifty-eight percent (58%) Medicare, thirty-two percent (32%) Managed Care, and ten percent (10%) Private due to more private pay residents from the Assisted Living transitioning to the SNF.

8. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

RESPONSE: The table below demonstrates the staffing pattern used by the Applicant to model the projections for years one and two. Based on the actual mix, there may be some adjustments

to the skill level profile of the staff to ensure the most efficient delivery model. The therapists are contracted from an affiliated entity.

Position Classification	Existing FTEs (enter year)	Projected FTEs Year 1	Average Wage (Contractual Rate)	Area Wide/Statewide Average Wage
A. Direct Patient Care Positions				
<i>RNs</i>		4.0	\$27.10	\$28.84
<i>LPNs</i>		6.9	\$19.54	\$18.41
<i>Nurse Aides (CAN)</i>		14.5	\$12.94	\$11.55
Total Direct Patient Care Positions		25.4		

B. Non-Patient Care Positions				
<i>Administrative</i>		10.6		
<i>Facility Services</i>		8.3		
Total Non-Patient Care Positions		18.9		
Total Employees (A+B)		44.3		
C. Contractual Staff				
Total Staff (A+B+C)				

9. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

- A. Discuss the availability of less costly, more effective and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.

RESPONSE: The Applicant has considered an option to continue to operate PTC at its temporary location in JCMC. However, this is not feasible. The physical space in the current PTC location is not sufficiently large enough to allow any expansion to accept and reactivate FTC's additional thirteen (13) beds. Additionally, the space within JCMC is optimally used to accommodate acute hospital services and beds, and therefore the intent has continued to be to move the SNF services to a new permanent location within a new campus. The existing facilities are small facilities and are in space that is over thirty (30) years old. The existing rooms are, in many cases, too small to accommodate certain specialized beds or services, such as geriatric patients. Moreover, MSHA has struggled over the years to maximize the effectiveness of both of the units.

SHC and MSHA determined, after examination of various options, that an option other than a new location would put constraints on MSHA's long term plans to enhance post-acute services in Washington County. SHC and MSHA engaged in an extensive market analysis and feasibility study prior to filing the current application. However, after detailed review, its analysis provided the clear conclusion that operating PTC in JCMC was not the best option

for the orderly delivery of health care. The financial projections could not support the revenues necessary to operate a facility that small within JCMC.

Therefore, rather than allowing healthcare services to discontinue operations creating a loss of jobs and lower tax revenues, the Applicant favorably considered and presents the combined project as outlined in the application. The proposed project, or second option, involves constructing a new one hundred seven (107) bed facility comprised of forty-seven (47) private skilled nursing rooms and sixty (60) assisted living rooms. The facility is viably based on the pro-forma completed by the Applicant and promotes the orderly delivery of health care. MSHA's and SHC's commitment to the continued provision of skilled nursing care in Washington County will ensure that the community has access to an expanded variety of services for this population.

- B. Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

RESPONSE: As stated above, SHC and MSHA engaged in an extensive market analysis prior to filing the current application. The location of the two (2) existing facilities (within JCMC and Quillen Rehab) did not present viable renovation or expansion opportunities. With Quillen Rehab's acute rehab program expansion and JCMC's peak season occupancy levels, neither location presented a geographically nor financially feasible option to modernize or expand to utilize all forty-seven (47) beds in one (1) location. The approach discussed in the CON proposal before the HSDA to build a replacement SNF with accompanying assisted and independent living campus was determined to be the most orderly and economical alternative.

The former Northside Hospital site will provide the SHC and MSHA the opportunity to build a state of the art facility within a community that will offer a unique continuum of post-acute services.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (i.e., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to the project, such as, transfer agreements, contractual agreements for health services.

RESPONSE: As a proposed facility, LP Johnson City, LLC does not currently have contracts with any of the above parties. Once completed and licensed, the Applicant intends to establish contractual arrangements, including transfer agreements, with all relevant health care providers in the community including, but not limited to, the following: MSHA hospitals, affiliate hospitals in the MSHA Network, East Tennessee State University and the James H. Quillen College of Medicine, local nursing homes, clinics and other healthcare providers. The East Tennessee State University affiliation calls for JCMC to provide clinical training for medical students and residents in the areas of family medicine and psychiatric services. In addition to relationships with other health care providers, the facility intends to have operating relationships through contracts with the following: Medical Director, Dentists, Specialized Physicians, and Licensed Pharmacist. It is intended that the facility will also enter into agreements with the respective MCOs operating within the service area.

1.	AETNA/US HEALTHCARE	Indemnity, PPO, POS, HMO, PFFS
2.	ANCI-CARE ANCILLARY CARE SOLUTIONS	HealthSmart Preferred Care, Interplan Health Group, Emerald Health Network, Preferred Plan, The Health Payors Organization
3.	BEECH STREET	PPO, Worker's Compensation, LTC Ins
4.	BLUE CROSS AND BLUE SHIELD	BLUECARE, TENNCARE, SELECT, BPN, MC BLUE ADVANTAGE, LLPO, SAPPHIRE & DIAMOND BLUE NTWK, P,C,K,V,S BLUE ADV PFFS, BASIC, VALUE, CLASSIC 2010, SNP, BLUE ADVANTAGE
5.	BLUEGRASS FAMILY HEALTH	HMO, PPO, POS, TPA
6.	CHAMP VA	PPO
7.	CIGNA	ALL PRODUCTS
8.	COVENTRY HEALTH PLANS [First Health Network, Focus and CCN]	PPO, HMO, PFFS
9.	EVOLUTIONS HEALTH CARE SYSTEMS	PPO
10.	FEDMED	PPO NETWORK, THIRD PARTY
11.	HUMANA	HMO MC AND MD, COMMERCIAL, PPO, PFFS
12.	NOVA NET PPO	PPO
13.	NPPN (PLAN VISTA)	PPO, Medicare Risk
14.	PRIME HEALTH SERVICES	PPO
15.	PYRAMID LIFE	PPO, PFFS
16.	STERLING LIFE INS CO	MC HMO, MC PPO, PFFS
17.	THREE RIVERS PROVIDER NETWORK	PPO
18.	TRICARE/HUMANA MILITARY SRVS./ HEALTHNET	Primary STANDARD, PRIME, EXTRA, Tricare for Life, Co-Pay
19.	UNIVERSAL	MC HMO, MD HMO, LTC DIVERSION, SNP, RESPITE, PFFS
20.	UNITED HEALTH CARE	Medicare, HMO & PPO, Commercial HMO & PPO, UMR(United Choice Product line)
21.	UNITED MINE WORKERS	PPO, HMO
22.	WINDSOR HEALTH PLAN	MC HMO

2. Describe the effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition and/or duplication arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

A. Positive Effects

RESPONSE: The proposed project is beneficial to the health care system and will result in no negative effects from unnecessary duplication of services or competition. The focus of the project is to enhance the overall post-acute care continuum in Washington County by securing experienced partners who will elevate the quality of care and expand the scope of services available to the elderly population (i.e., assisted living and retirement living).

The proposed project provides economic and clinical efficiencies very well because it derives from a forward looking joint venture between acute and post-acute providers. The significant focus on re-hospitalizations and associated costs, along with ACO and bundled payment arrangements, are making the coordinate between acute and post-acute more important. With an eye to economic efficiencies and competitive markets, the State's health care system is beginning to reshape itself to better serve the needs of the patient, exactly in the way this project is designed to do. This project assures the appropriate level of care and supply of skilled nursing facility beds are available, when

needed, so that acute and post-acute costs can be maintained at their lowest level possible. This is done by making sure patients utilize services at the lowest intensity and cost possible.

B. Negative Effects

RESPONSE: Most importantly, there will be no negative effects from the new facility because 1) the project will not increase the number of skilled nursing facility beds in the service area and 2) current methodologies already identify a significant current and future need for nursing home beds within the county.

The proposal will not have any negative impacts on other providers as it is not seeking additional licensed beds. In addition, the proposal is not seeking the initiation of any new services and will result in a much improved environment to serve the post-acute care needs of the population. The project will simply provide a level of facility with amenities and services meeting the market demand of Washington County residents.

3. A. Discuss the availability of and accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee licensing requirements and/or requirements of accrediting agencies, such as the Joint Commission and Commission on Accreditation of Rehabilitation Facilities.

RESPONSE: The Applicant's parent affiliations both have experience in the market. SHC has a dedicated recruiting department along with an ongoing recruitment process in Tennessee. Given that SHC is currently managing the operations of the thirty-four (34) beds at JCMC, the training and transition of the staff to the new facility will be seamless. SHC recruits and retains staff by offering salary and benefit packages appropriate for the market.

- B. Verify that the applicant has reviewed and understands all licensing and/or certification as required by the State of Tennessee and/or accrediting agencies such as the Joint Commission for medical/clinical staff. These include, without limitation, regulations concerning clinical leadership, physician supervision, quality assurance policies and programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

RESPONSE: The Applicant so verifies. SHC has policies and procedures in place governing regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.

- C. Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

RESPONSE: Both partners advocate the importance of training and education. The principle of learning and education of its employees is one of SHC's three corporate value pillars. SHC's leadership recognizes that, in a rapidly changing world, educational advancement for our employees and, how new knowledge can change and impacts the lives around us, is a core element of being a successful company. The Learning pillar drives positive change, provides organizational confidence, impacts resident care and offers personal growth for all employees. SHC is focused on becoming an organization of learning by providing a broad venue of learning opportunities, and has established effective teaching as a required management skill to foster lifelong learning for all. SHC intends to enter into clinical affiliation agreements with the universities to support their nursing programs and offer the facility as a clinical training site for their RN, LPN and other health care students (i.e., Pharmacy, allied health, and health care administration).

MSHA works extensively with local colleges and universities and is affiliated with the James H. Quillen College of Medicine, East Tennessee State University, located in Johnson City, Tennessee. MSHA

has the largest number of medical residents in the Tri-Cities area, and this affiliation allows Johnson City Medical Center to provide clinical training for medical students and residents in the areas of family medicine and psychiatric services.

4. Identify the type of licensure and certification requirements applicable and verify the applicant has reviewed and understands them. Discuss any additional requirements, if applicable. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: Tennessee Department of Health, Board for Licensing Tennessee Health Care Facilities as a nursing home.

Certification Type (e.g. Medicare SNF, Medicare LTAC, etc.): The facility will maintain the certification of Princeton Transitional Care and be certified from the Centers for Medicare and Medicaid Services (CMS) as a Medicare participating skilled nursing facility (SNF).

Accreditation (i.e., Joint Commission, CARF, etc.): N/A

- A. If an existing institution, describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility and accreditation designation.

RESPONSE: The proposed facility will be a replacement facility for two (2) currently licensed nursing homes. Copies of the current licenses for FTC and PTC are included at Attachment (III.) Contribution To The Orderly Development Of Health Care – 4(A). In addition, PTC is currently certified by CMS as a skilled nursing facility. Franklin Transitional Care is licensed, but has been granted an inactive status waiver by the Tennessee Board for Licensing Health Care Facilities.

- B. For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected by providing a letter from the appropriate agency.

RESPONSE: A copy of the most recent Statement of Deficiencies for PTC are included at Attachment (III.) Contribution To The Orderly Development Of Health Care – 4(B). All cited deficiencies have been corrected.

- C. Document and explain inspections within the last three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.

- 1) Discuss what measures the applicant has or will put in place to avoid similar findings in the future.

RESPONSE: During the last three survey cycles Princeton Transitional Care has not had any survey deficiencies that have resulted in any events listed in C.1.

5. Respond to all of the following and for such occurrences, identify, explain and provide documentation:

- A. Has any of the following:

- 1) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);

- 2) Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or
- 3) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%.

B. Been subjected to any of the following:

- 1) Final Order or Judgment in a state licensure action;
- 2) Criminal fines in cases involving a Federal or State health care offense;
- 3) Civil monetary penalties in cases involving a Federal or State health care offense;
- 4) Administrative monetary penalties in cases involving a Federal or State health care offense;
- 5) Agreement to pay civil or administrative monetary penalties to the federal government or any state in cases involving claims related to the provision of health care items and services; and/or
- 6) Suspension or termination of participation in Medicare or Medicaid/TennCare programs.
- 7) Is presently subject off/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware.
- 8) Is presently subject to a corporate integrity agreement.

RESPONSE: With respect to Question 5 above, the Applicant states that as an entity affiliated with both a hospital system and long term care company, it and all affiliates of its joint venture parents are routinely subject to investigations, regulatory actions, and are parties in various civil action as a normal course of business within the regulated health care industry. To the best of the Applicant's knowledge and based on the interpretation of the events listed in B(1-8) the Applicant states that no person(s) or entity listed within the scope of 5(A)(1)-(3) above has been subject to any of the events or sanctions listed in 5(B)(1)-(8) above, except as follows:

ITEM B(7):

- With respect to Item B(7), as an entity affiliated with both a hospital system and long term care company, it and all affiliates of its joint venture parents are routinely subject to investigations, regulatory actions, and are parties in various civil action as a normal course of business within the regulated health care industry.
- With respect to Signature HealthCARE specifically, due to the nature of the long term care industry, its skilled nursing facilities are routinely involved with investigations from various state and/or federal agencies, including those related to annual or complaint surveys (CMS and state, sometimes law enforcement) as well as the EEOC, local state and city human rights commissions, and from time to time, the Department of Labor.
- Beyond those routine investigations, SHC therapy services has received a civil investigative demand (CID) from the Middle District of Tennessee office of the Department of Justice requesting information and patient records related to various SHC skilled nursing facilities. SHC believes that the demands are part of an extended

investigation of most large therapy companies affiliated with skilled nursing facility companies that has been going on for several years, and also believes this investigation may be related to time periods when recently acquired facilities were purchased from another provider. A recent meeting with the government resulted in an agreement essentially to stay further inquiries and information production for purposes of SHC's internal review.

6. Outstanding Projects:

- A. Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and

<u>Outstanding Projects</u>					
<u>CON Number</u>	<u>Project Name</u>	<u>Date Approved</u>	<u>*Annual Progress Report(s)</u>		<u>Expiration Date</u>
			<u>Due Date</u>	<u>Date Filed</u>	

* Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

- B. Provide a brief description of the current progress, and status of each applicable outstanding CON.

RESPONSE: The applicant has no outstanding projects.

7. Equipment Registry – For the applicant and all entities in common ownership with the applicant.
- A. Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)? **NO**
 - B. If yes, have you submitted their registration to HSDA? If you have, what was the date of submission? _____
 - C. If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission? _____

QUALITY MEASURES

Please verify that the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

RESPONSE: If approved, the Applicant will provide the Tennessee Health Services and Development Agency, and any other state agency when required, with information concerning the number of patients treated, the number and type of procedures performed, proscribed quality measures, and other data as required or requested. The Applicant also intends to provide all information requested by applicable regulations, including but not limited to the information provided through the yearly Joint Annual Report for Nursing Homes to the Department of Health.

STATE HEALTH PLAN QUESTIONS

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at <http://www.tn.gov/health/topic/health-planning>). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better Health are from the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.

1. The purpose of the State Health Plan is to improve the health of the people of Tennessee.
2. People in Tennessee should have access to health care and the conditions to achieve optimal health.
3. Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging economic efficiencies.
4. People in Tennessee should have confidence that the quality of health care is continually monitored and standards are adhered to by providers.
5. The state should support the development, recruitment, and retention of a sufficient and quality health workforce.

RESPONSE:

Five Principles for Achieving Better Health

The following Five Principles for Achieving Better Health serve as the basic framework for the State Health Plan.

1. *Healthy Lives: The purpose of the State Health Plan is to improve the health of Tennesseans.*

While this principle focuses mainly on the goals and strategies that support health policies and programs at the individual, community, and state level that will help improve the health status of Tennesseans, the proposed new SNF project is consistent with this goal because it seeks to create a long term care focus campus that will create a continuum of care model where individuals who need additional transition from an acute care stay will be able to receive intensive skilled nursing care and rehabilitative services at a significantly lower cost and in a more home like environment than in an acute care setting. The proposed facility will have as its goal that all patients return home to the least restrictive and least costly option available where that individual can live the healthiest life possible.

2. *Access to Care: Every citizen should have reasonable access to health care.*

The proposed SNF's model will focus on patients that are Medicare qualified beneficiaries seeking skilled nursing and rehabilitation services following a prior hospital stay. A majority of all patients placed in nursing homes from the acute care setting are Medicare beneficiaries. Access to long term care Medicare beds is directly tied to the availability of Medicare skilled nursing facility beds in the service area. The new modern skilled nursing facility will help to improve access to post-acute care, and avoid decreasing access to care by the loss of these beds within the market. Maintaining (and not increasing available beds) ensures no increase in patient days in acute care beds while waiting for a Medicare bed to become available, which can be costly to the system and creates access problems for acute care providers. As mentioned above, this project will also free the appropriate development of hospital acute care space to meet community needs. Furthermore, accountable care organizations (ACO's) and bundled payment networks are helping to shape and dictate where patients coming from hospitals are directed to receive their post-acute care services; this project will allow joint discussion of how those models best develop between acute and post-acute care.

3. *Economic Efficiencies: The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system.*

The proposed project addresses this principle very well because it derives from a forward looking joint venture between acute and post-acute providers. ACO and bundled payment arrangements are making the coordinate between acute and post-acute more important. With an eye to economic efficiencies and competitive markets, the State's health care system is beginning to reshape itself to better serve the needs of the patient, exactly in the way this project is designed to do. This project assures the appropriate level of care and supply of skilled nursing facility beds are available, when needed, so that acute and post-acute costs can be maintained at their lowest level possible. This is done by making sure patients utilize services at the lowest intensity and cost possible.

4. *Quality of Care: Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers.*

As a Medicare certified skilled nursing facility the proposed facility will be surveyed both at the State and Federal level. The previous operating history of both FTC and PTC have demonstrated that quality care is being provided by the Applicant. SHC has one hundred forty-four (144) locations with 130 being SNFs in eleven (11) states and over twenty-four thousand (24,000) employees. The majority (approximately 55%) of SHC's facilities are above a 3-star rating from the federal Centers for Medicare & Medicaid Services, and thirty (30%) have 4-star or 5-star rating.

5. Health Care Workforce: *The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.*

The parent entities to the Applicant joint venture both have a long history of developing, recruitment and retention of a quality health care workforce.

SHC supports this goal having developed a culture built on three (3) organizational pillars that are foundational to everything we do. More than just ideologies, the SHC Pillars are functioning departments with their own staffs and programs. Put simply, the Pillars are the embodiment of our mission – to radically change the landscape of healthcare forever. SHC promotes lifelong learning across its organization. It operates a GED to PhD program to help employees change their lives through education through a partnership to provide the opportunity for individuals to earn their GED through a self-paced, online program at no cost to them. Also, through SHC's Partner Perks program, stakeholders interested in continuing their education with more advanced degrees can take advantage of special discounts on tuition for certifications, Bachelor's, or Master's degrees with select educational institutions.

In 2013, SHC was named one of Modern Healthcare's "Best Places to Work" for the third time. It also runs several of its own training programs to educate long term care health care workers such as a two (2) year administrator in training program, a dietetic internship program, certified nursing assistant program, and advanced geriatric therapy program.

MSHA also serves as a key resource in the development of physicians in the Upper East Tennessee area and operates several programs to develop and support the medical and nursing workforce.

In addition, the Applicant provides the following additional responses to describe the relationship of the Applicant's proposal project and in consistency with the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

- a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

Responses to Criteria for Construction, Renovation, Expansion, and Replacement of Health Care Institutions

3. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

RESPONSE: Not applicable to this project. The Applicant is requesting CON approval to build a new replacement facility and this project does not involve the addition of beds, services or major medical equipment.

4. For relocation or replacement of an existing licensed health care institution:

- a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

RESPONSE: The replacement, renovation and relocation of the PTC and FTC skilled nursing facilities has been an operational goal of MSHA for several years, since the realization that the operational efficiencies of each of the separate units were not sustainable. As noted, the FTC facility was closed by MSHA several years ago because the facility was not operationally feasible and efficient.

The current site of PTC was approved by HSDA in CN1409-039 with the express purpose of serving as an interim location until the construction of a new modern, comprehensive campus designed to meet the needs of the elderly population through the provision of skilled care and assisted living services could be completed. As stated above, this new site will be on the former Northside Hospital property. The advantage of that site is its proximity to the current campus of Quillen Rehab Hospital, further enhancing the ability of the MSHA and SHC partnership to deliver a complete continuum of post-acute and long term care services and support.

Renovation at the current site has not been considered, because the existing site of PTC has been intended as an interim step towards the development of a modern post-acute/long term care campus with the ability to support a continuum of residents with such needs. Bringing such a plan to existence, at the existing site, is not feasible in the out-of-date physical plants that exist for these skilled nursing facilities. The existing space within the hospital is needed for medical/surgical services to meet the community's need.

Additionally, the construction of a new modern facility allows the existing SNF to continue to operate and provide services to the MSHA patient community while the new facility is constructed. This provides an operational advantage over a proposal that would perform limited renovations on an existing facility, because patient care would inevitably be interrupted.

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

RESPONSE:

While this project does not seek to increase the available supply of nursing home beds and is not strictly evaluated based on the need formula in T.C.A. §68-11-1622, that methodology more than demonstrates an existing and future need for these skilled nursing facility beds exists. The projections for Washington County are as follows

WASHINGTON COUNTY Age- Formula/Year	Factor	2016 Pop.	2016 Need	2017 Pop.	2017 Need	2018 Pop.	2018 Need	2019 Pop.	2019 Need	2020 Pop.	2020 Need
0-64 (x .0005)	0.0005	109,586	55	110,439	55	111,294	56	112,030	56	113,300	57
65-74 (x .0120)	0.012	14,238	171	14,807	178	15,219	183	15,780	189	16,318	196
75-84 (x .0600)	0.06	7,061	424	7,326	440	7,749	465	8,135	488	8,517	511
85 + (x .1500)	0.15	2,932	440	3,039	456	3,138	471	3,215	482	3,302	495
Projected Need											
Total Existing Beds			899		899		899		899		899
Total Outstanding Beds			0		0		0				0
BED NEED			190		229		275		317		360

table demonstrates, existing and future need for skilled nursing facility beds is acceptable and is projected to become even more acute, evidencing demand for the proposed project.

Those numbers demonstrate how the aging baby boomer population is requiring an ever increasing demand for post-acute care. Tennessee's recently revised 2014 State Health Plan recognizes this increasing demand as a result of patients leaving a hospital setting and requiring skilled nursing assistance in hopes of re-acclimating to the lifestyle accustomed prior to the acute care setting. In the recently revised Nursing Home Services Standards, the Health Plan states:

Research published by the Henry J. Kaiser Family Foundation in 2013 (<http://kff.org/Medicaid/fact-sheet/overview-of-nursing-facility-capacity-financing-and-ownership-in-the-united-states-in-2011>) shows that a majority of people over the age of 65 will need long term care services for an average of three years, and 20 percent of people will need more than five years of services. The percentage of the population over the age of 65 is expected to increase as the "baby boom" generation ages, and specifically the number of people 85 and older is expected to grow significantly. Tennessee's population projections are in-line with those reported nationally, if not slightly higher, for these age groups.

The plan goes on to state,

*"When considering replacement facility or renovation applications that do not alter the bed component within the Service Area, the HSDA **should consider as the primary factor whether a replacement facility's own***

occupancy rate could support its economic feasibility, instead of the occupancy rates of other facilities in the Service Area.” (Emphasis added)

There has been renewed focus in the opportunity to better maximize skilled nursing facilities and other post-acute care resources as bundled payments, Accountable Care Organizations (ACO), and other payment reform mechanisms continue to be implemented across the country. It is essential patients receive the most appropriate care in the lowest cost setting and post-acute care is considered a significant opportunity to lower costs, improve quality through enhanced coordination of care, reduce hospital readmissions, and so forth. These very reasons are why MSHA and SHC formed a partnership.

Outlined below are the historical trends for SNF volumes at PTC.

Princeton Transitional Care Volumes
FY2010 – FY2015

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	TTM 10/15
Admissions	889	705	692	706	813	723	739
Patient Days	11,131	10,173	8,622	8,950	8,839	8,261	8,880
Average Length of Stay	12.5	14.4	12.5	12.7	10.9	11.4	12.0
Licensed Beds	34	34	34	34	34	34	34
Occupancy	89.70%	81.90%	69.50%	72.10%	71.20%	66.57%	71.56%

Sources: Joint Annual Reports; MSHA Internal Data

The need for skilled nursing facility services will continue in the service area, especially given the higher than national rates of elderly. The ultimate goal of the joint venture is to develop a senior care campus which will provide coordinated care options for those requiring skilled care, assisted living and/or independent/retirement living options to help meet this increasing need. It will also allow the development of a cutting edge senior focus continuum of care community, which is needed in the service area.

4. For renovation or expansions of an existing licensed health care institution:

c. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

RESPONSE: Not applicable because the project is not renovating nor expanding an existing facility.

d. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

RESPONSE: Not applicable because the project is not renovating nor expanding an existing facility.

Responses to Criteria for Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards and 2014 State Health Plan Criteria for Nursing Home Beds

(4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the Commission may consider, in addition to the foregoing factors, the following factors:

(a) Need. The applicant should show the proposed new site will serve the healthcare needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

RESPONSE: The Applicant notes the project is aligned with recently revised standards for Nursing Home Services in the 2014 State Health Plan. These criteria were revised with the goal to provide support for an existing nursing home to modernize/update its facilities. At criteria 8, those standards encourage projects that modernize out of date facilities through replacement of the same existing facilities without increasing beds in the service area, stating:

Encouraging Facility Modernization: The HSDA may give preference to an application that:

- a. Proposes a replacement facility to modernize an existing facility;*
- b. Seeks a certificate of need for a replacement facility on or near its existing facility operating location. The HSDA should evaluate whether the replacement facility is being located as closely as possible to the location of the existing facility and, if not, whether the need for a new, modernized facility is being impacted by any shift in the applicant's market due to its new location within the Service Area; and*
- c. Does not increase its number of operating beds.*

In particular, the HSDA should give preference to replacement facility applications that are consistent with the standards described in TCA §68-11-1627, such as facilities that seek to replace physical plants that have building and/or life safety problems, and/or facilities that seek to improve the patient-centered nature of their facility by adding home-like features such as private rooms and/or home-like amenities.

The Applicant's proposed site is located approximately five (5) miles from Johnson City Medical Center. Because of the proximity of the two facilities, the skilled nursing care needs in the community will be just as well-served as at the current site. The current site was approved by HSDA in CN1409-039 with the express purpose of serving as an interim location until the construction of a new modern, comprehensive campus designed to meet the needs of the elderly population through the provision of skilled care and assisted living services could be completed. This new senior care campus will be on the former Northside Hospital property which is adjacent to the current campus of Quillen Rehab Hospital. There is no ability to combine the two (2) existing facilities into a single efficiently operating skilled nursing facility other than on a new site. Consistent with the above criteria, there will be no increase in the number of licensed beds from the approval of a new facility and the new site is as close as feasible to the existing location. The continuum of services from independent living through acute hospital rehabilitation (i.e., Quillen) will increase the services to the target population above what is currently being offered.

The proposed new site will serve the healthcare needs in the area to be served at least as well as the original site. As noted above, the new location is a minimal distance (4 miles) from the existing location, and will provide significantly more space that allows for dedicated focus on long term care.

(b) Economic factors. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

RESPONSE: Approval of this project will enhance the provision of post-acute care services within Washington County. The construction of a senior care campus that will contain access to skilled nursing care, assisted living and retirement living options will better meet the needs of the community. Enhancement of valued post-acute care services will improve cost efficiencies for the overall healthcare delivery system as the cost of care for patients in an acute care setting is almost forty percent (40%) to sixty percent (60%) more compared to the post-acute care settings (i.e., skilled nursing, rehabilitation, and so forth). Improving access to these vital services in a senior friendly environment that leverages the expertise of a national, multi-state organization such as SHC will be very beneficial to this patient population.

(c) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

RESPONSE: Not applicable. Services will be provided at the existing location of PTC (at JCMC) until the new facility is constructed and licensed. Patients will be transferred to the new facility after the Certification process is completed. Enhanced services, both for acute care at JCMC and post-acute services (for current PTC patients) will be a direct result of the change of site.

The new skilled nursing facility will also directly benefit acute care services by allowing the current PTC space within JCMC to be transitioned back into medical/surgical beds and expanded services.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper that includes a copy of the publication as proof of the publication of the letter of intent.

NOTIFICATION REQUIREMENTS

(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)

Note that T.C.A. §68-11-1607(c)(9)(A) states that "...Within ten (10) days of the filing of an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the state representative and senator representing the house district and senate district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution-based treatment center for opiate addiction has been filed with the agency by the applicant."

Failure to provide the notifications described above within the required statutory timeframe will result in the voiding of the CON application.

Please provide documentation of these notifications.

DEVELOPMENT SCHEDULE

T.C.A. §68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1. below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

Phase	<u>Days Required</u>	<u>Anticipated Date [Month/Year]</u>
1. Initial HSDA decision date		December 14, 2016
2. Architectural and engineering contract signed	0	Jan-2016
3. Construction documents approved by the Tennessee Department of Health	20	Feb-2017
4. Construction contract signed	21	Aug-2016
5. Building permit secured	81	Apr-2017
6. Site preparation completed	111	May-2017
7. Building construction commenced	112	May-2017
8. Construction 40% complete	262	Oct-2017
9. Construction 80% complete	372	Feb-2018
10. Construction 100% complete (approved for occupancy)	477	May-2018
11. *Issuance of License	507	Jun-2018
12. *Issuance of Service	512	Jun-2018
13. Final Architectural Certification of Payment	522	Jul-2018
14. Final Project Report Form submitted (Form HR0055)	532	Jul-2018

*For projects that **DO NOT** involve construction or renovation, complete Items 11 & 12 only.

NOTE: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date

Attachment Section A-6A-(p3)

Letter Agreements from MSHA and Ownership/Control Flow Chart



MOUNTAIN STATES HEALTH ALLIANCE

1 Professional Park Drive, Suite 11 • Johnson City, TN 37601

423-431-6111

9/2/2016

Ms. Melanie Hill
Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

Re: Certificate of Need Application for 47-bed Skilled Nursing Facility in Johnson City

Dear Ms. Hill:

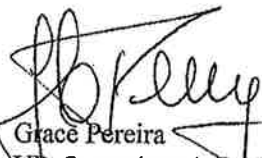
Mountain States Health Alliance ("MSHA") is the owner and licensee of the thirty-four (34) bed nursing home known as Princeton Transitional Care (Nursing Home Lic. #337) and the thirteen (13) bed nursing home known as Franklin Transitional Care (Nursing Home Lic. #329), both located in Johnson City, Tennessee.

MSHA and Signature HealthCARE ("SHC") have entered into a joint venture agreement wherein SHC will own fifty-one percent (55.5%), through its wholly owned subsidiary SHC LP Holdings III, LLC, and MSHA will own forty-nine percent (44.5%) through Blue Ridge Medical Management Corporation. LP Johnson City LLC will be a jointly-owned entity of the joint venture, and is the applicant for a certificate of need proposing to relocate and combine the above-referenced licensed facilities into a single new forty-seven (47) bed nursing home. LP Johnson City LLC will operate and be the licensee of the proposed new facility. The new facility will combine the thirty-four (34) beds in the Princeton Transitional Care facility and thirteen (13) beds in the Franklin Transitional Care facility into the proposed forty-seven (47) bed facility as allowed by statute.

The letter confirms the commitment of MSHA, as reflected in the Joint Venture Agreement, to contribute to LP Johnson City LLC all of MSHA's rights associated with the licenses and operations of the existing licensed nursing facilities, upon approval of the certificate of need for the proposed replacement facility. MSHA further confirms its commitment to relinquish the licenses for Princeton Transitional Care and Franklin Transitional Care upon final licensure of the new combined replacement facility, thus resulting in no new beds within the service area.

Please let us know if you have any questions or need anything further from us on matter.

Very truly yours,


Grace Pereira
VP, Outpatient & Post-Acute Services



1 Professional Park Drive, Suite 11 • Johnson City, TN 37601
423-431-6111

9/2/2016

Ms. Melanie Hill, Executive Director
Health Services and Development Agency
Andrew Jackson Bldg., 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: Contribution of Real Property to JCRNC RE, LLC

Dear Ms. Hill:

Mountain States Health Alliance ("MSHA") is the owner of the property described on the attached Exhibit A, which is the project site identified in the certificate of need application for LP Johnson City, LLC ("Land").

MSHA has entered into an option agreement to purchase this land with JCRNE RE, LLC. JCRNC RE, LLC will be a joint venture entity between MSHA and Signature HealthCARE wherein SHC will own fifty-one (55.5%), through its wholly owned subsidiary SHC LP Holdings III, LLC, and MSHA will own forty-nine (44.5%) percent through Blue Ridge Medical Management Corporation. JCRNC RE, LLC will ultimately control the real property where the new facility will be located.

Upon issuance of a Certificate of Need (CON) to LP Johnson City, LLC ("Operator") to build a skilled nursing facility (the "Facility") on the property, MSHA is committed to contributing the land to JCRNC RE, LLC in exchange for its affiliate, Blue Ridge Medical Management Company receiving a 44.5% membership interest in JCRNC RE, LLC. The fair market value of the land described on Exhibit A is \$1,195,000.

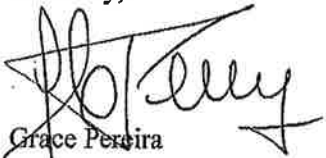
After contributing the land to JCRNC RE, LLC, and pursuant to a Ground Lease, JCRNC RE, LLC will lease the land to Conficare RE, LLC (a.k.a. Ramsey Development, LLC) or an affiliate thereof ("Developer") during the Developer's construction of the Facility. Developer will pay the Company \$1 per year for the term of the Ground Lease as rent for the land.



1 Professional Park Drive, Suite 11 • Johnson City, TN 37601
423-431-6111

Once the Facility has been constructed and is licensed to operate, the Operator will lease the land and the Facility from Developer pursuant to a Facility Lease. During the first lease year, Operator will pay the Developer a base monthly rent equal to $1/12^{\text{th}}$ of the total cost of construction of the Facility. Thereafter, the base rent under the Facility Lease will increase annually by 2.5%. JCRNC RE, LLC will have a binding and non-revokable obligation to purchase the land and Facility from Developer beginning in the 13th month of the Facility Lease term.

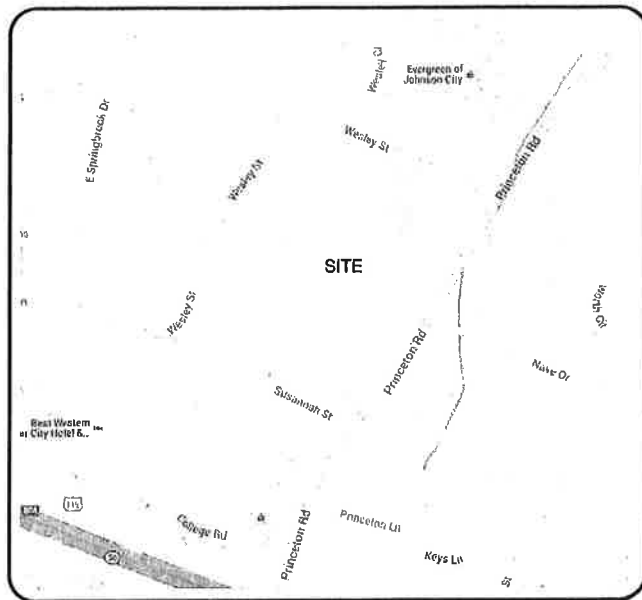
Sincerely,



Grace Pereira
VP, Outpatient & Post-Acute Services

Attachment Section A-6B-1a-d

Plot Plan for Project Site



VICINITY MAP

NTS

Property Address:
401 Princeton Road
Johnson City, TN

10th Civil District
Washington County,
Johnson City, Tennessee

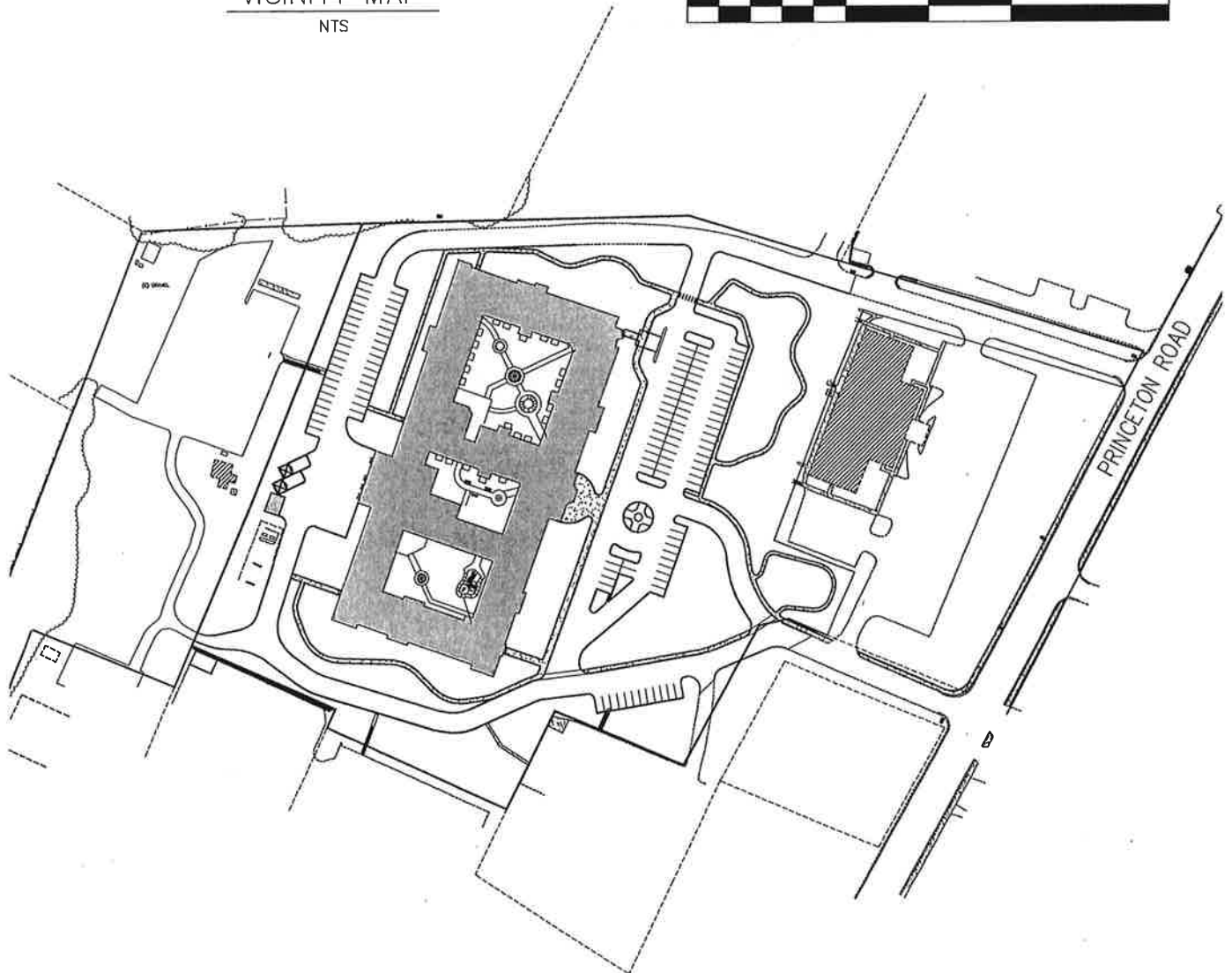
Property Owner:
Johnson City Medical
Center Hospital, Inc.

10.09± ACRES

SCALE: 1" = 200'



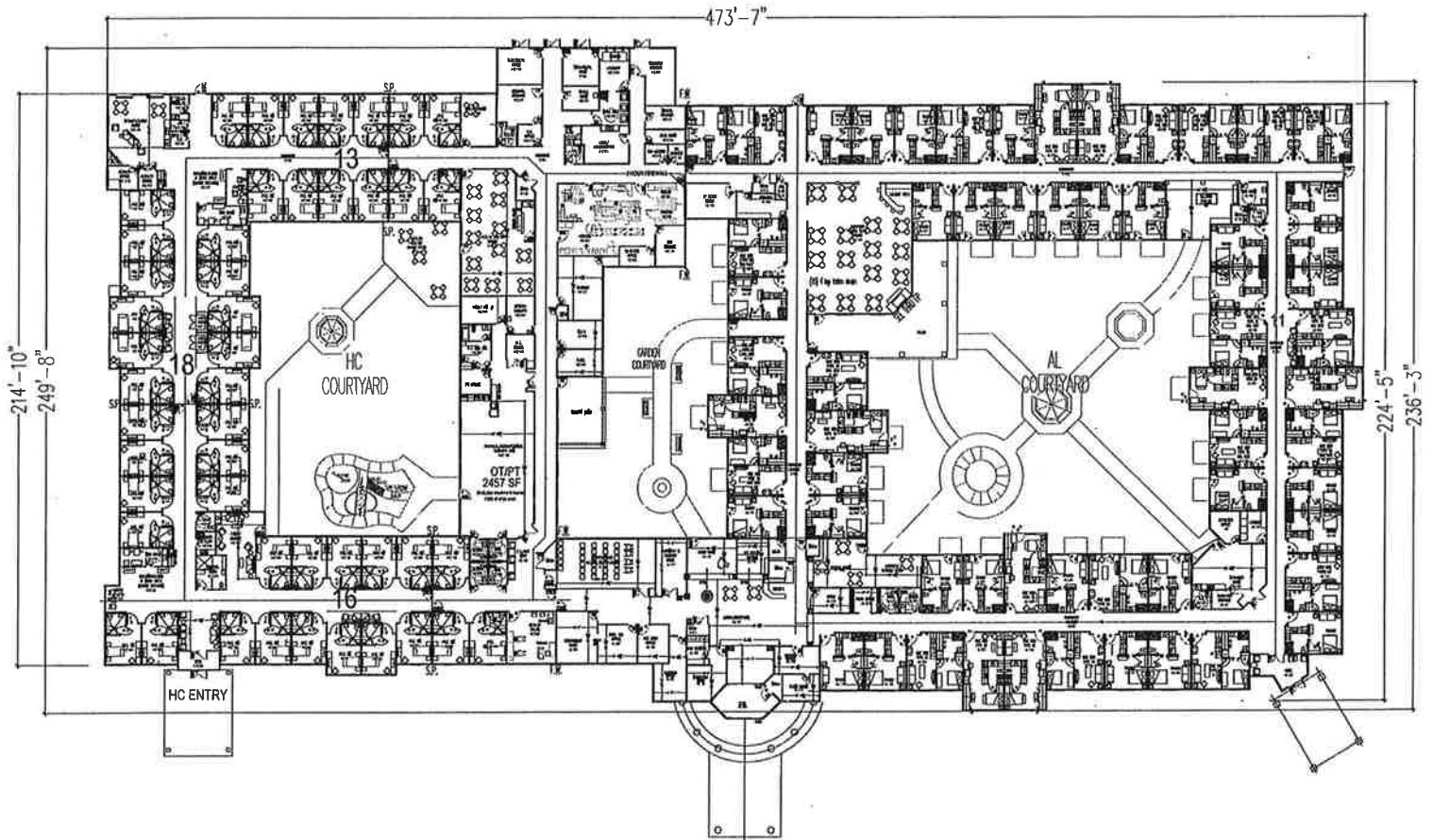
SEE NOTE 1





Attachment Section A-6B-2

Floor Plan Drawing for the Facility



scheme 27 Signature Johnson City TN floorplan

Oct 26, 2015 73,168 sf

(6832 sf reduction from 80,000 sf)

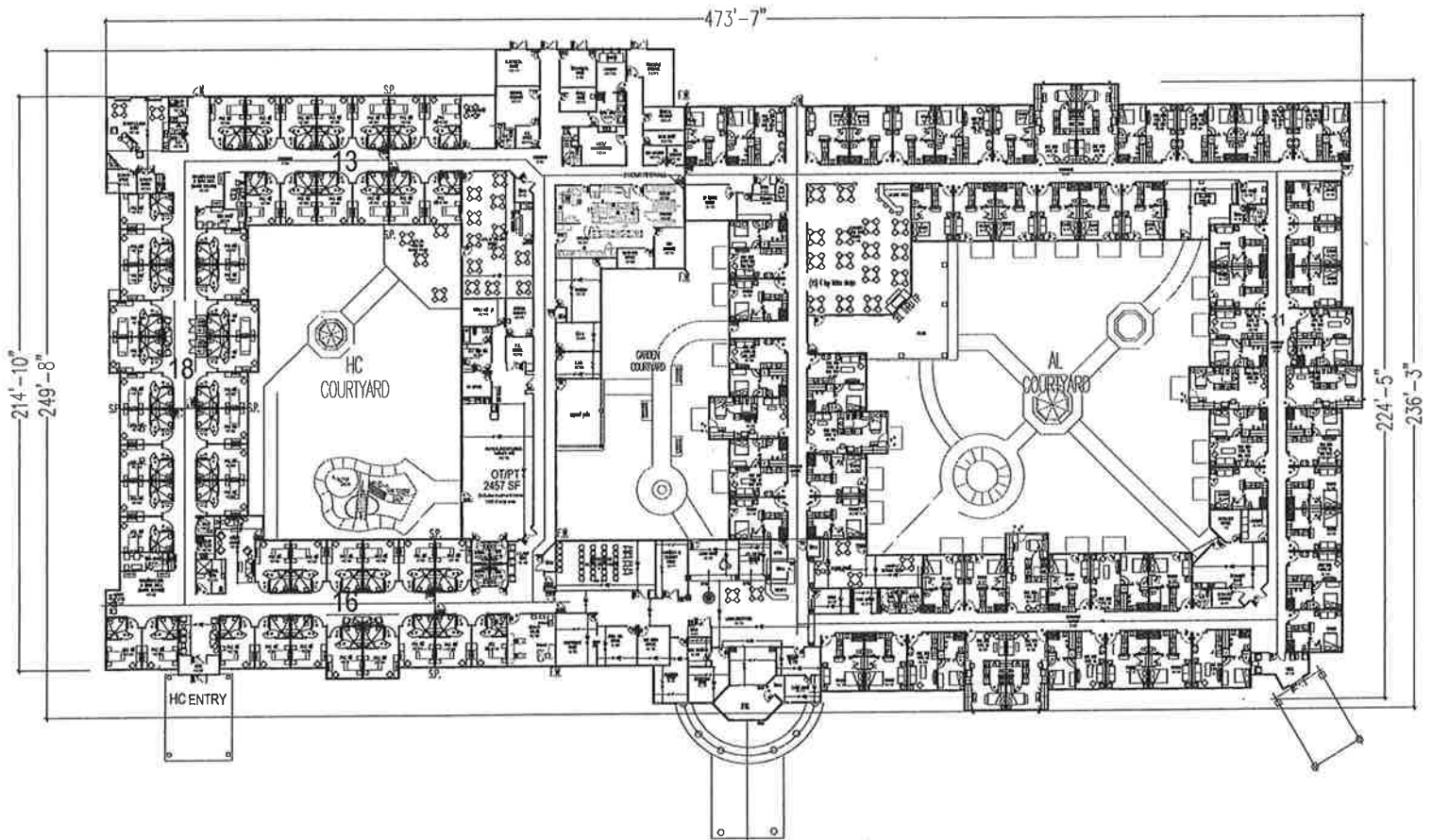
Floor Plan

Page 1

Mosaic Print Format

Print Output Map From Original 1 Page

3	6	9	12	15
2	5	8	11	14
1	4	7	10	13

September 28, 2016**12:19 pm**

scheme 27 Signature Johnson City TN floorplan

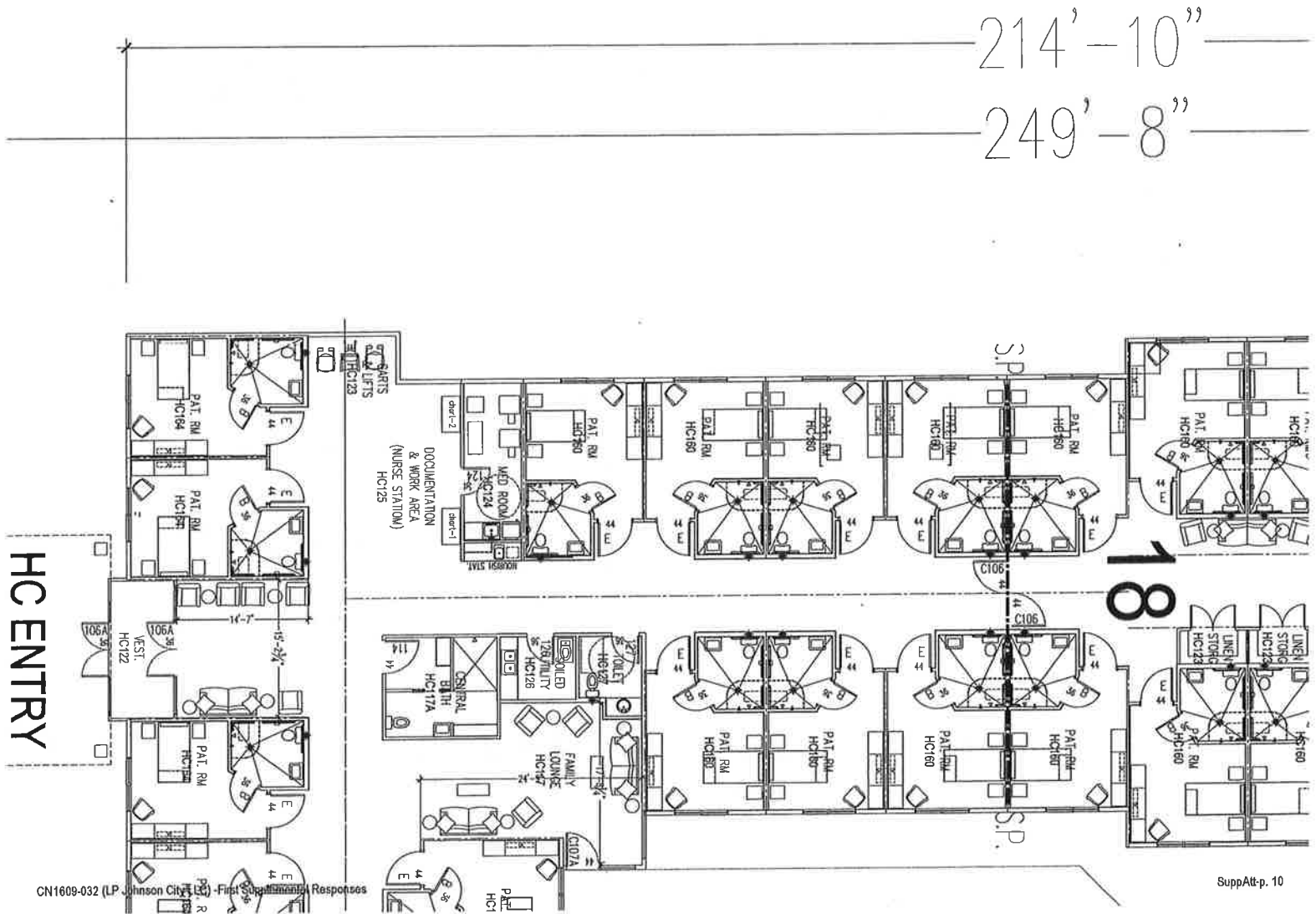
Oct 26, 2015 73,168 sf

(6832 sf reduction from 80,000 sf)

September 28, 2016

12:19 pm

Floor Plan P1-Mosaic-Page 2 of 15

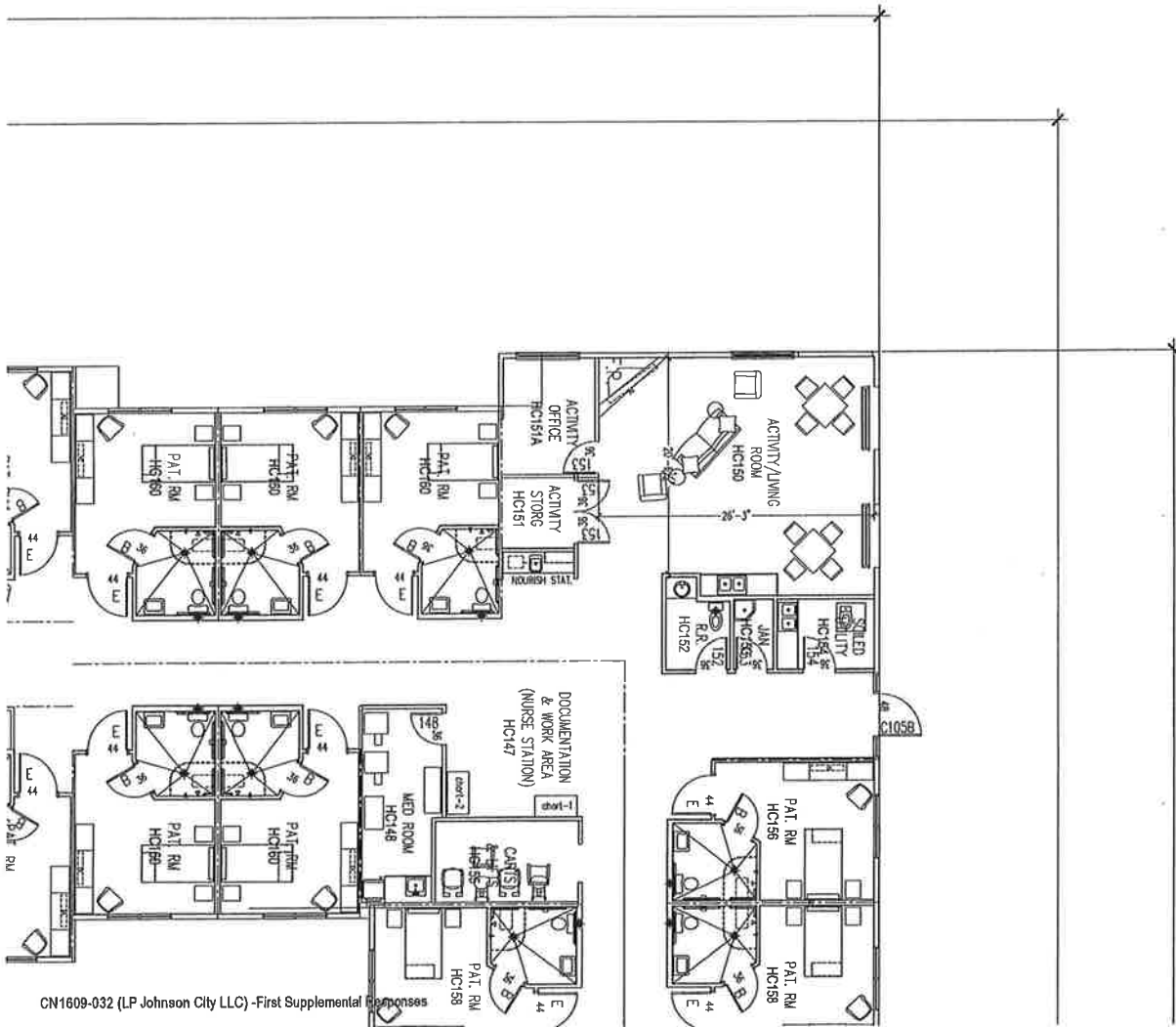


CN1609-032 (LP Johnson City, Inc.) - First Supplemental Responses

SuppAtt-p. 10

September 28, 2016**12:19 pm**

Floor Plan P1-Mosaic-Page 3 of 15

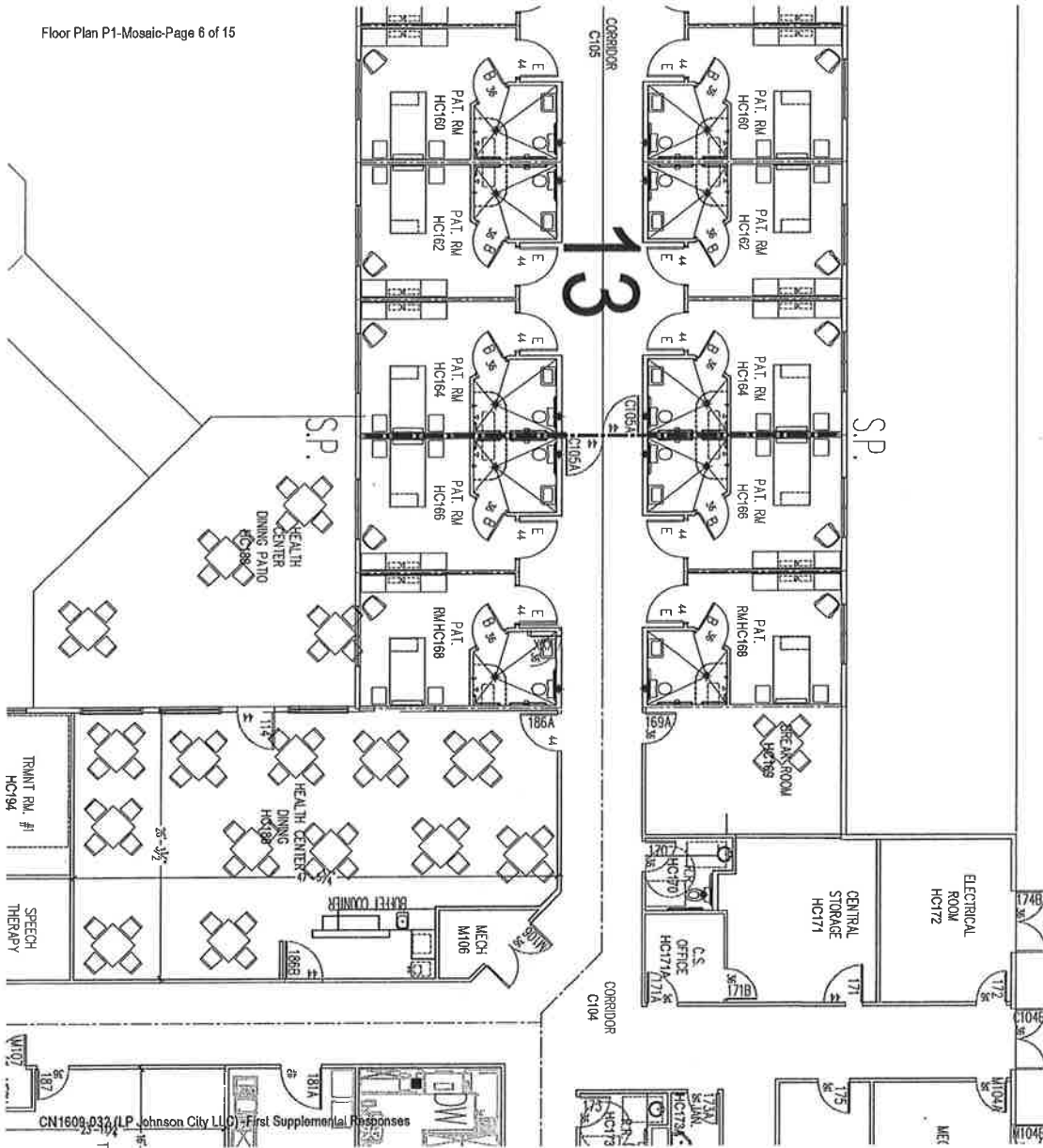


CN1609-032 (LP Johnson City LLC) -First Supplemental Responses

SuppAtt-p. 11

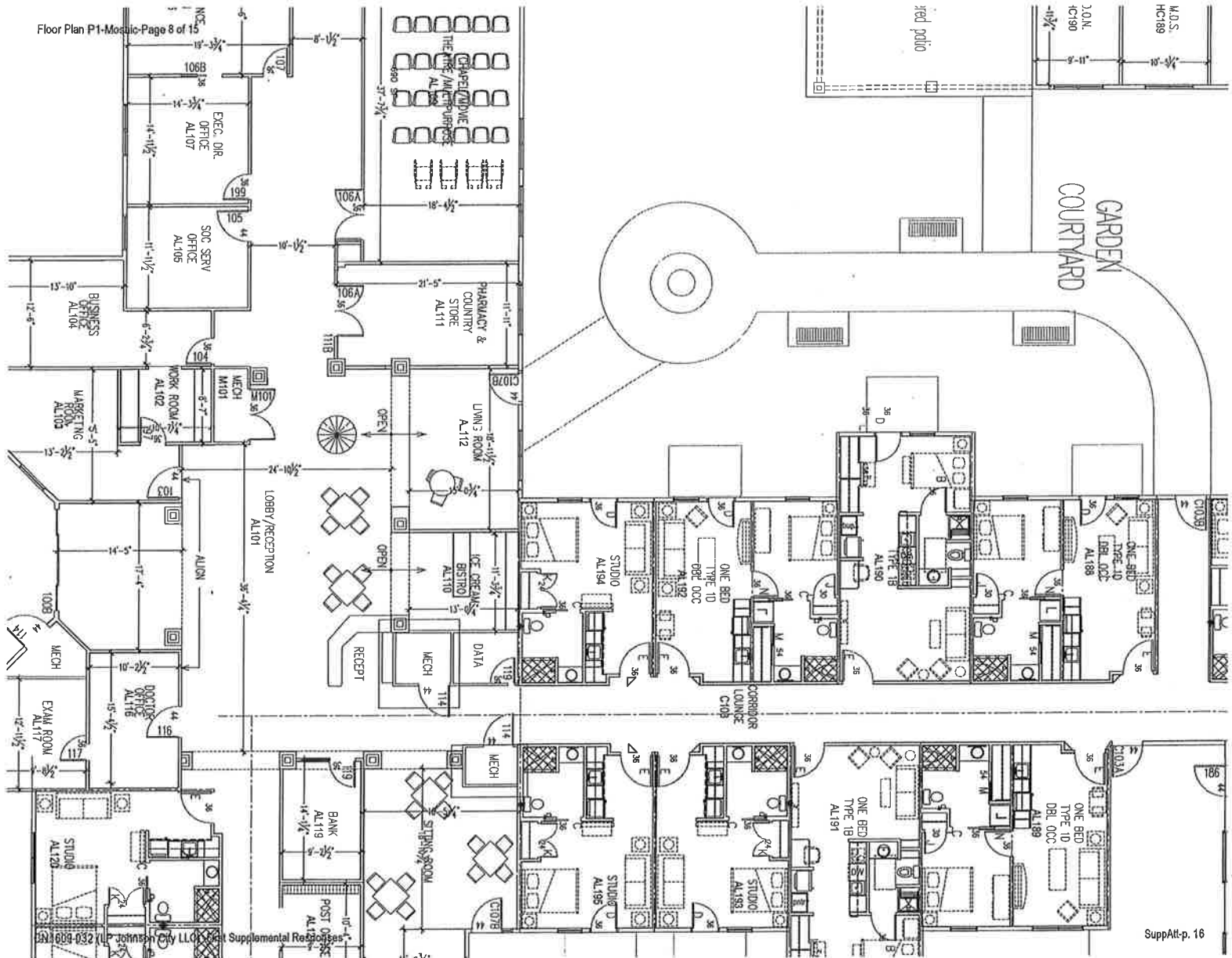


Floor Plan P1-Mosaic-Page 6 of 15

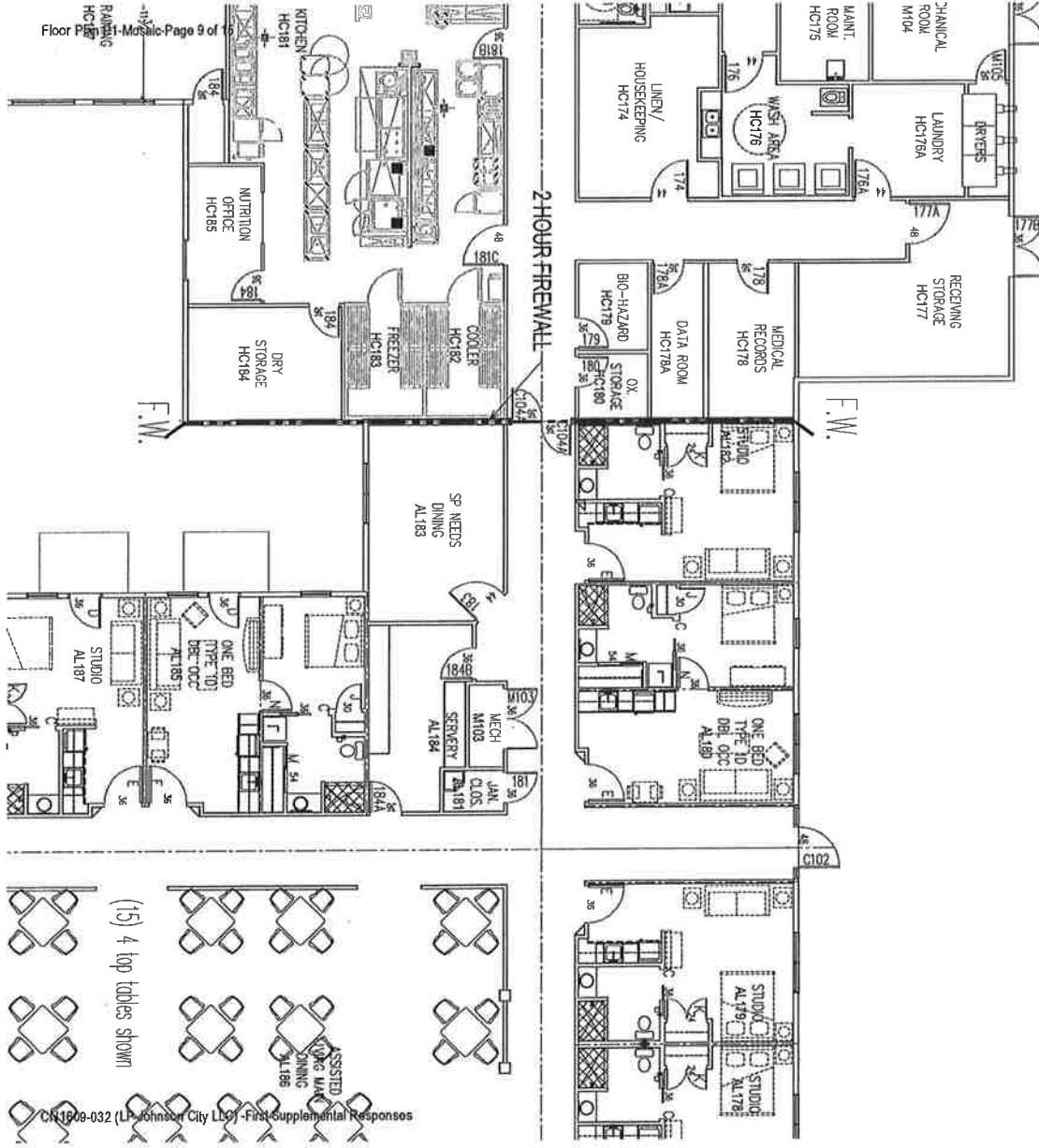


September 28, 2016

12:19 pm



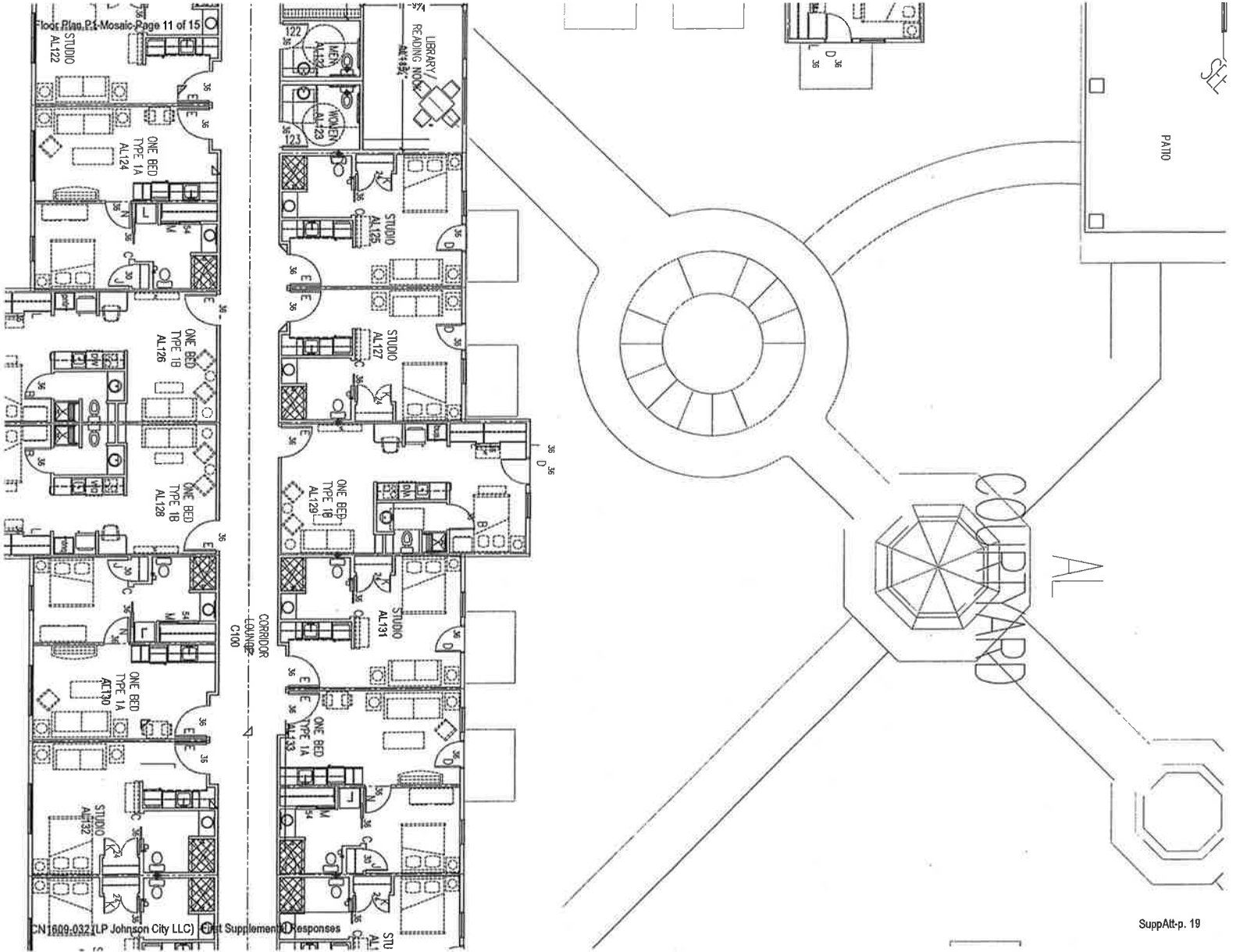
473'-7"

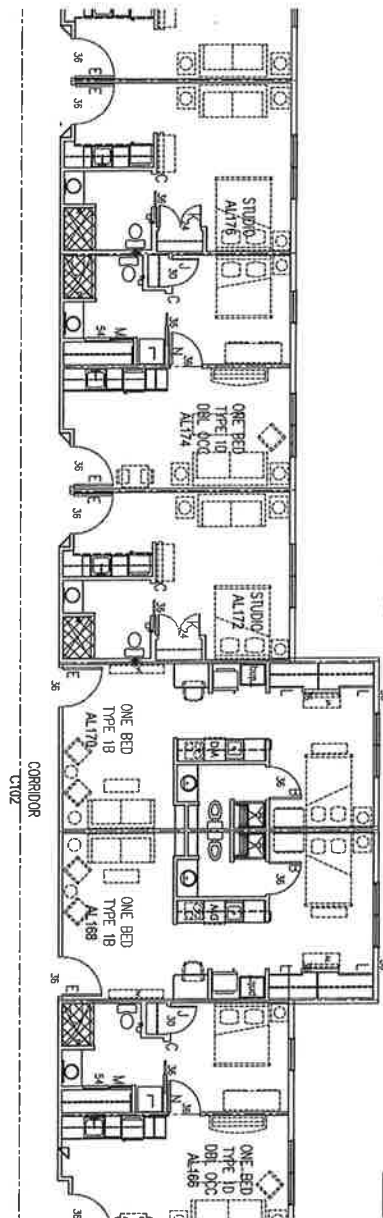
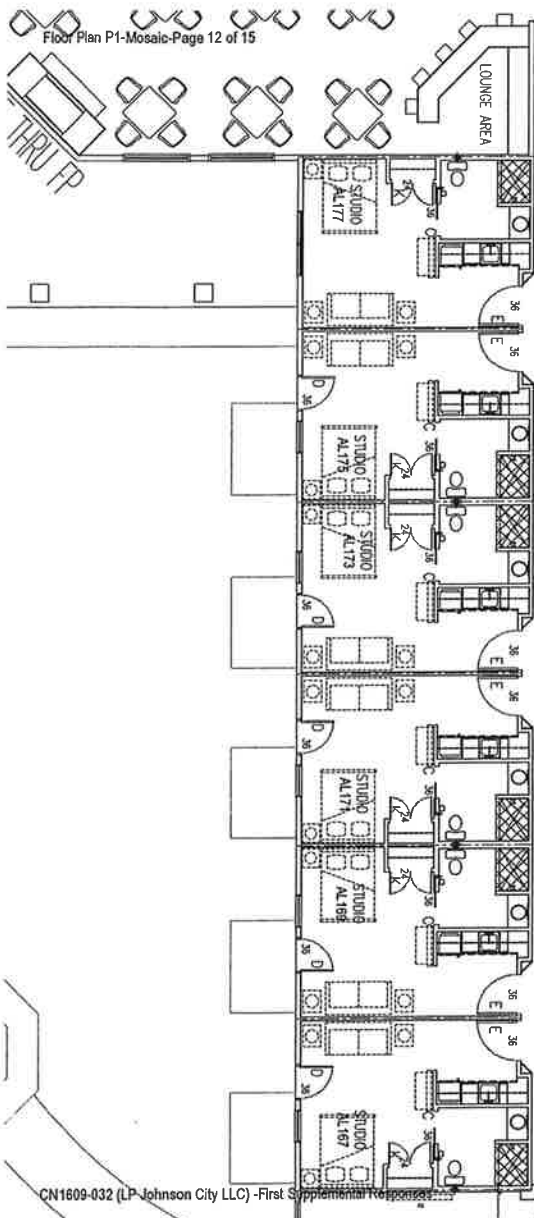


Floor Plan 1-Mosaic-Page 9 of 10

(15) 4 top tables shown

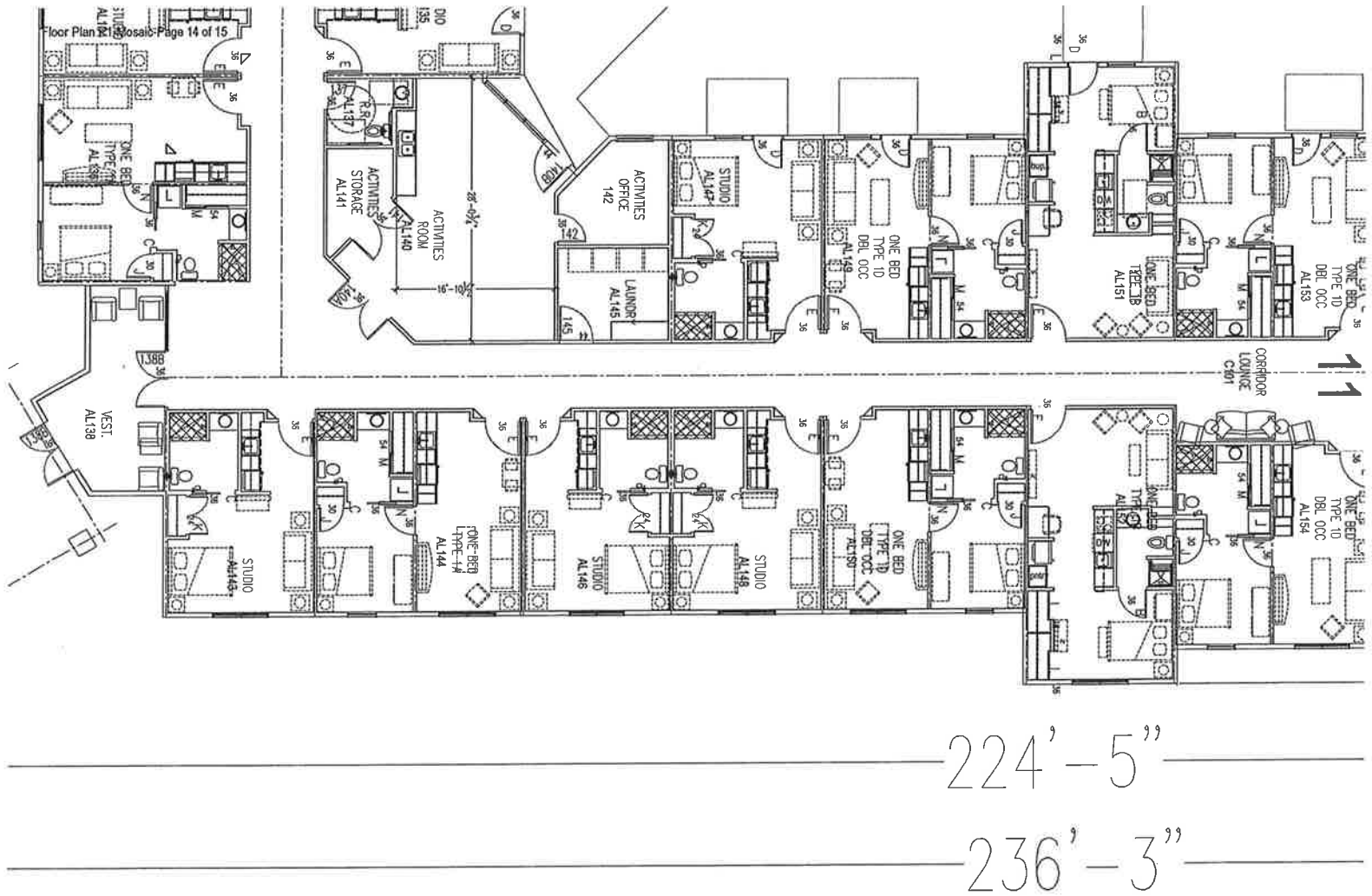
CN1909-032 (LP Johnson City LLC) - First Supplemental Responses

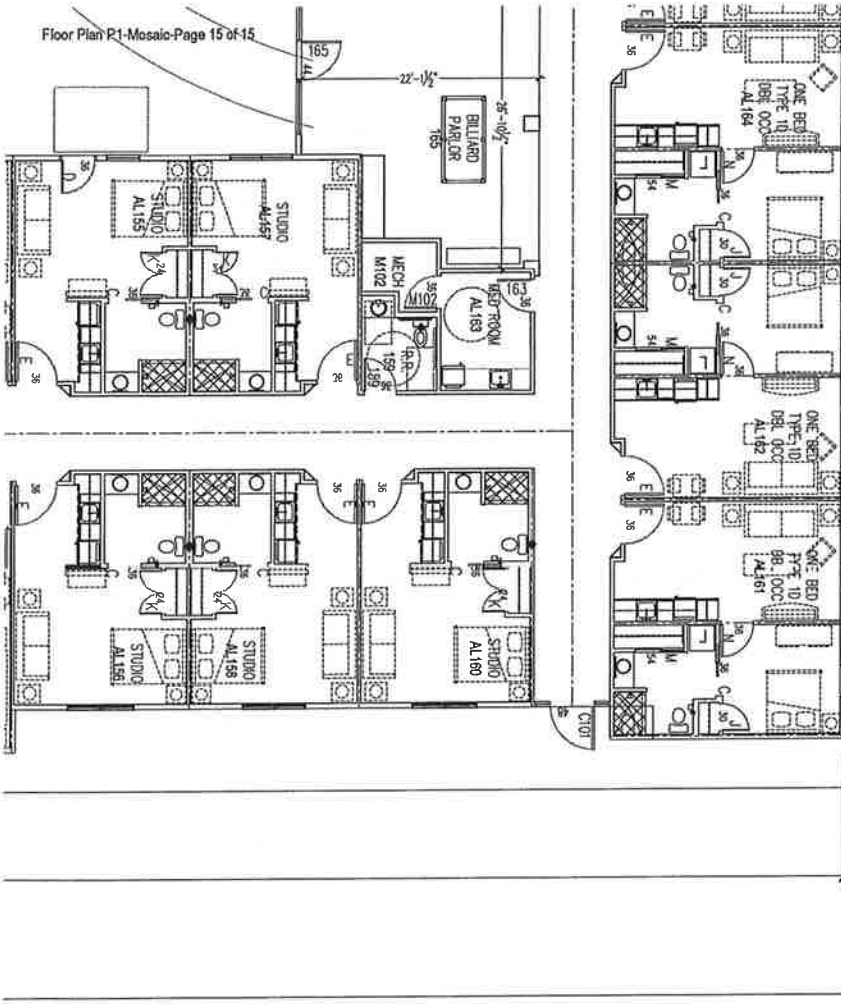


September 28, 2016**12:19 pm**

September 28, 2016

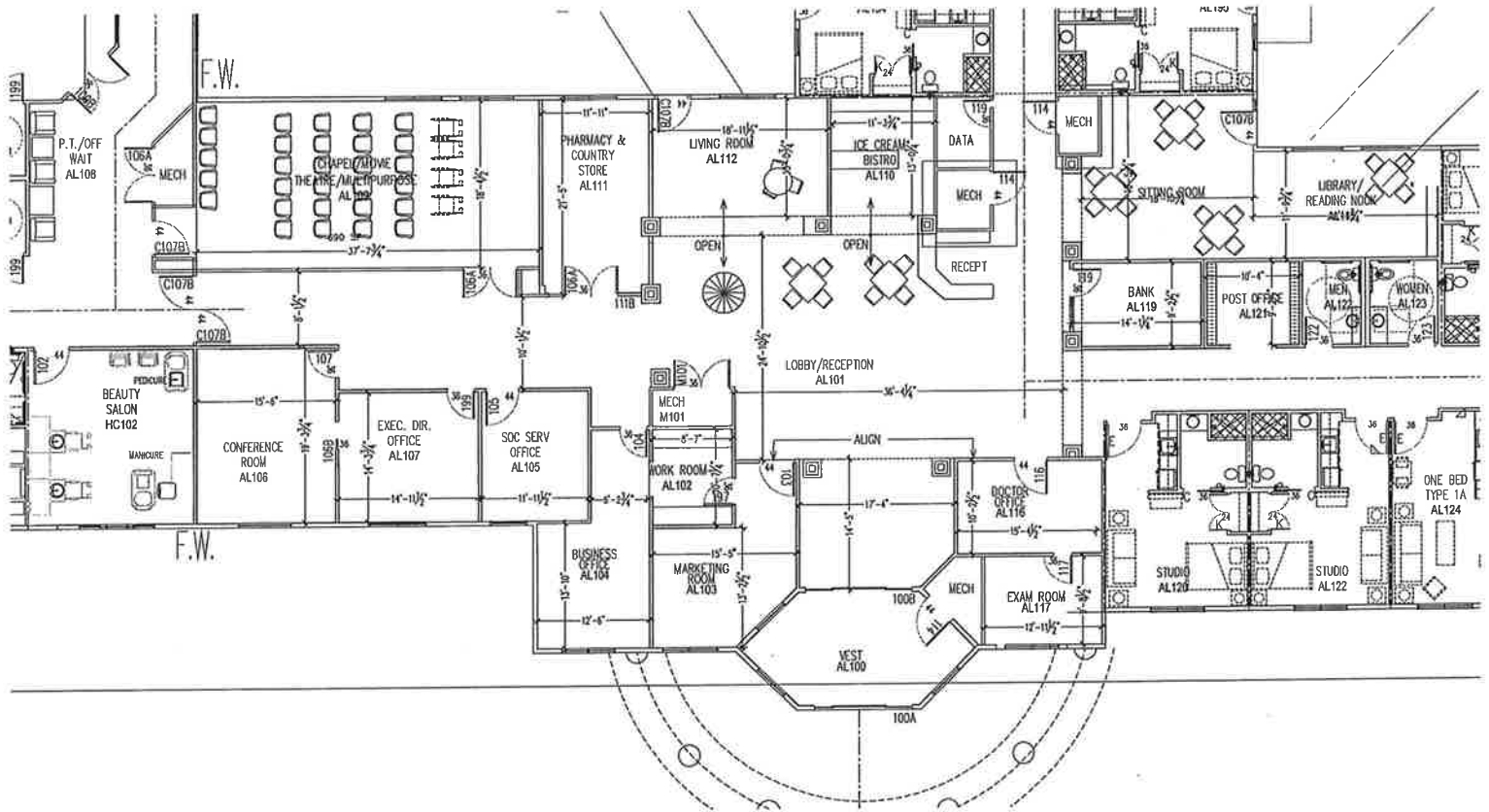
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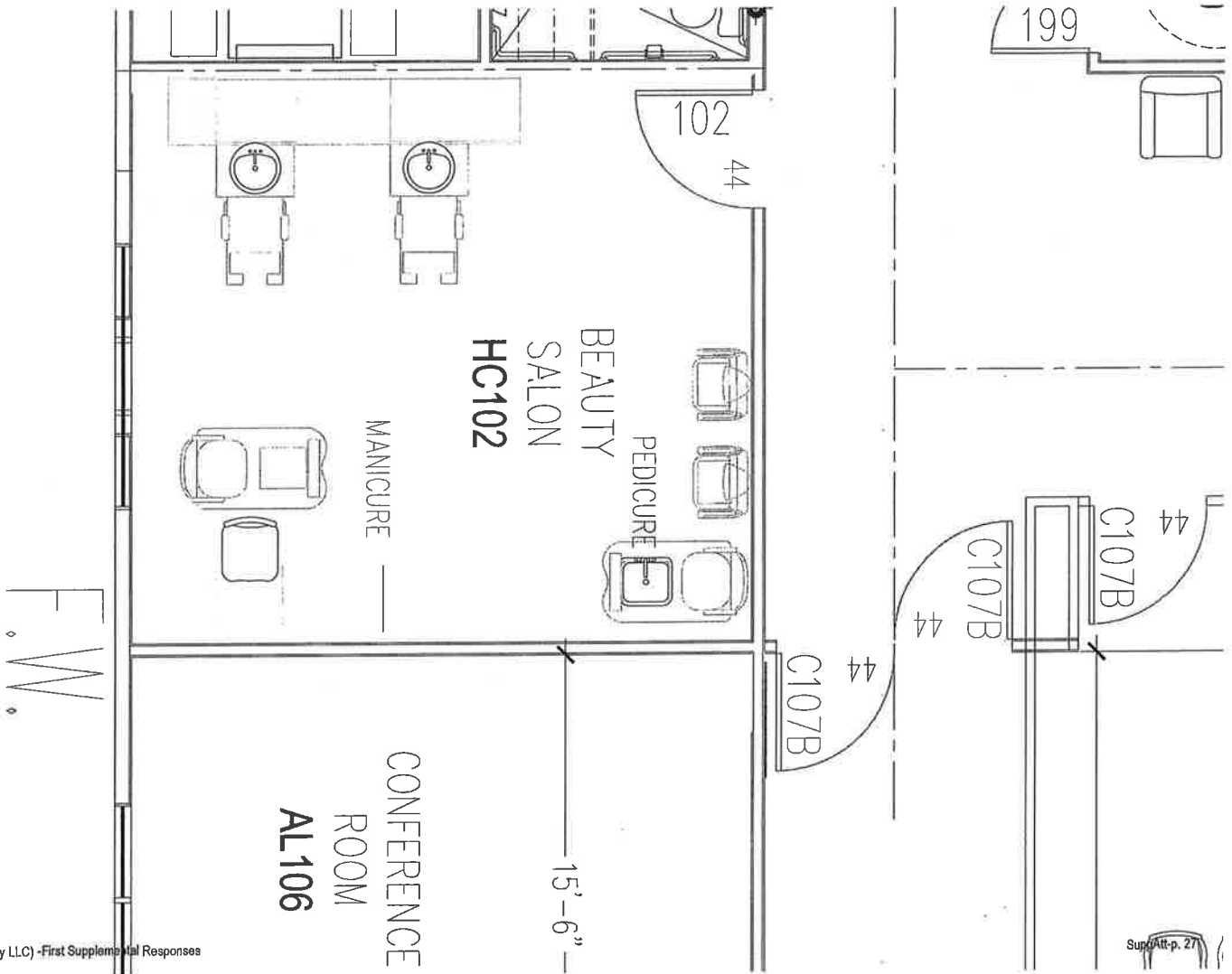


September 28, 2016

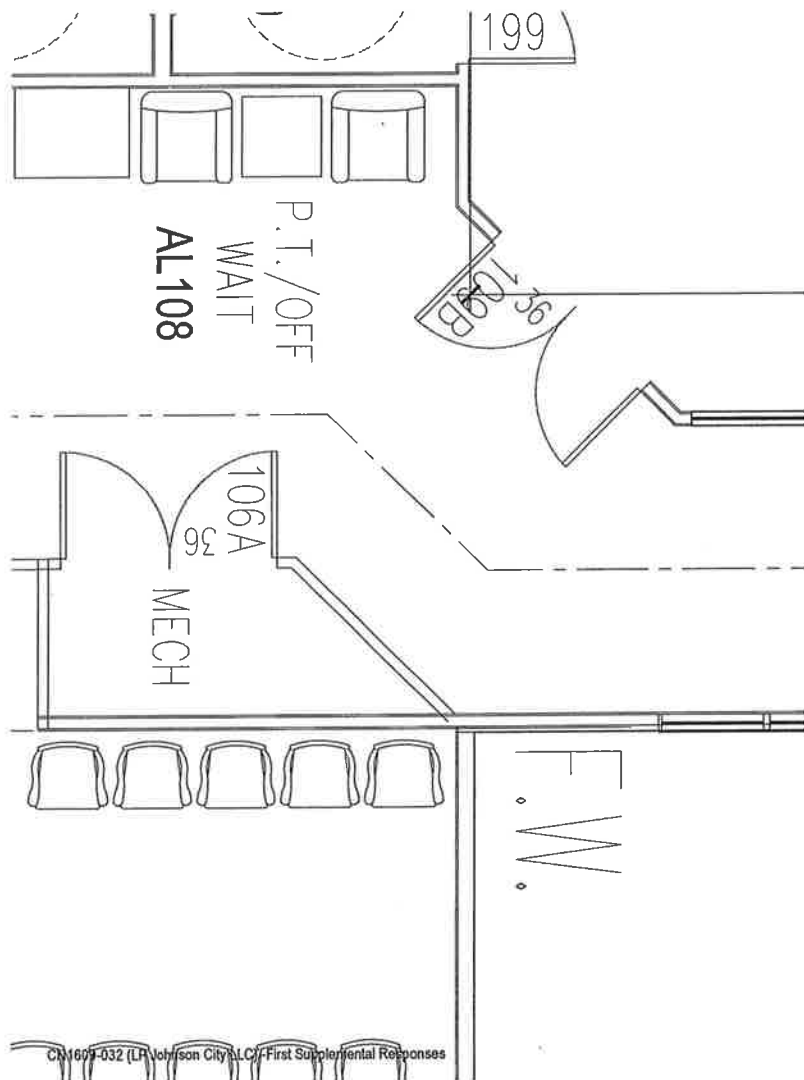
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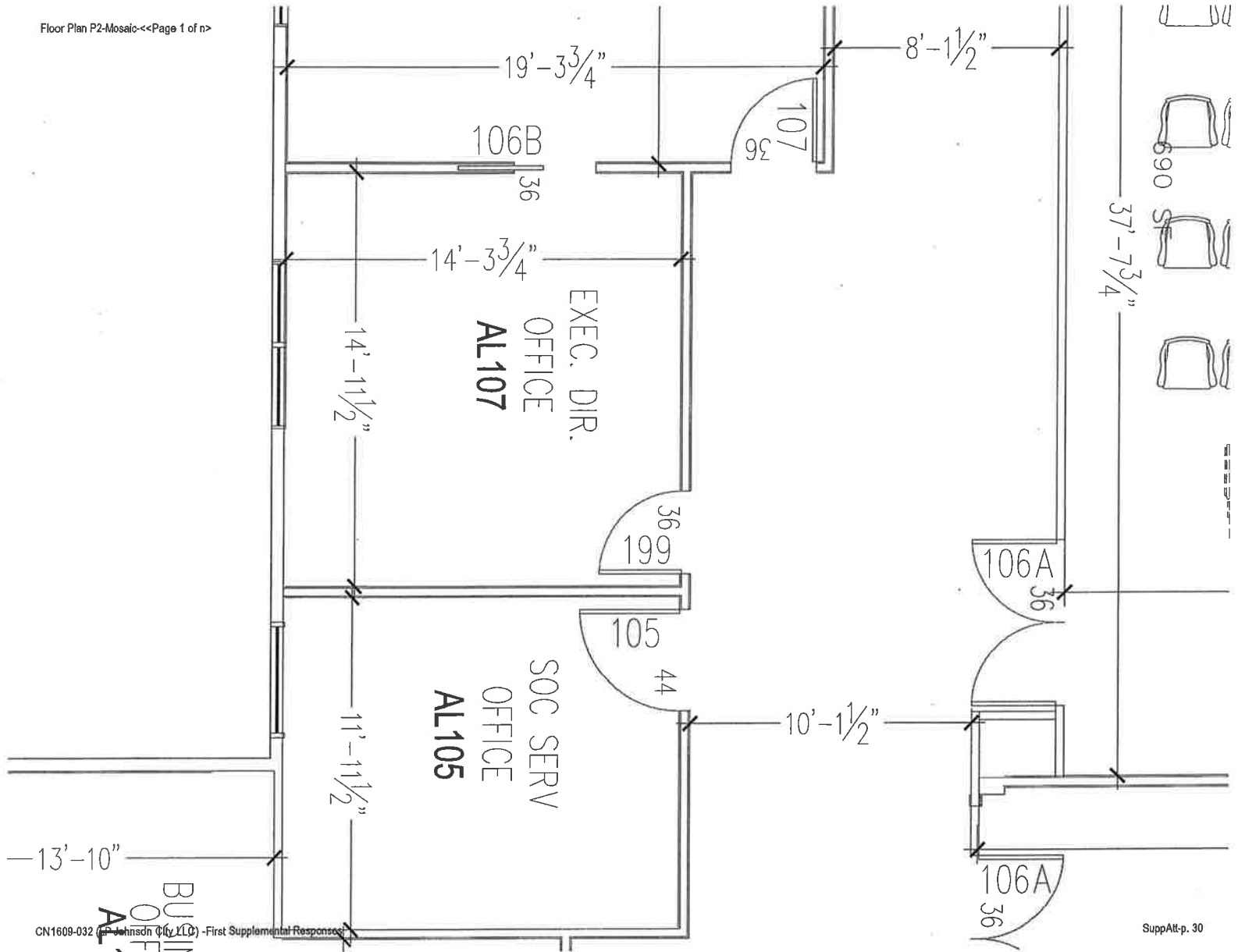
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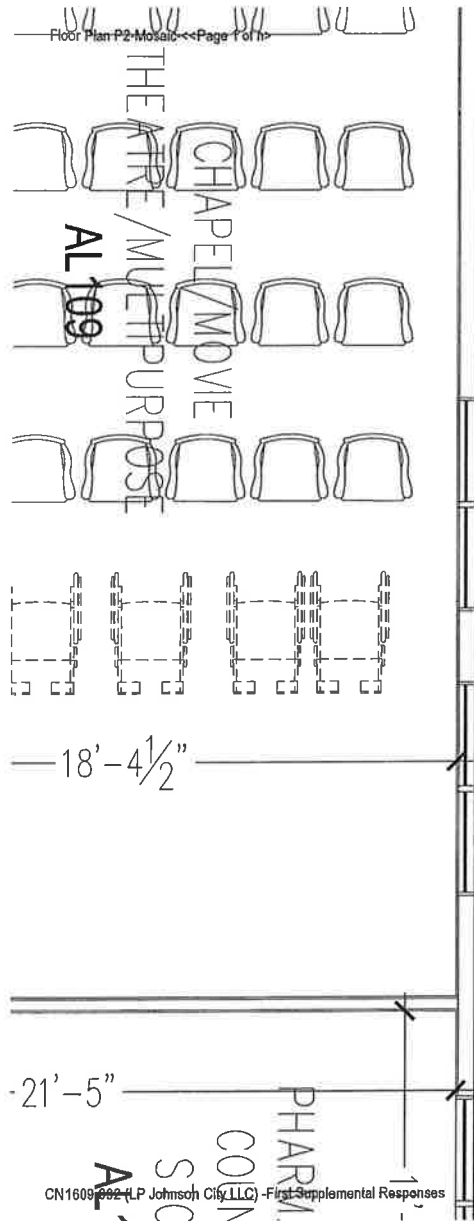


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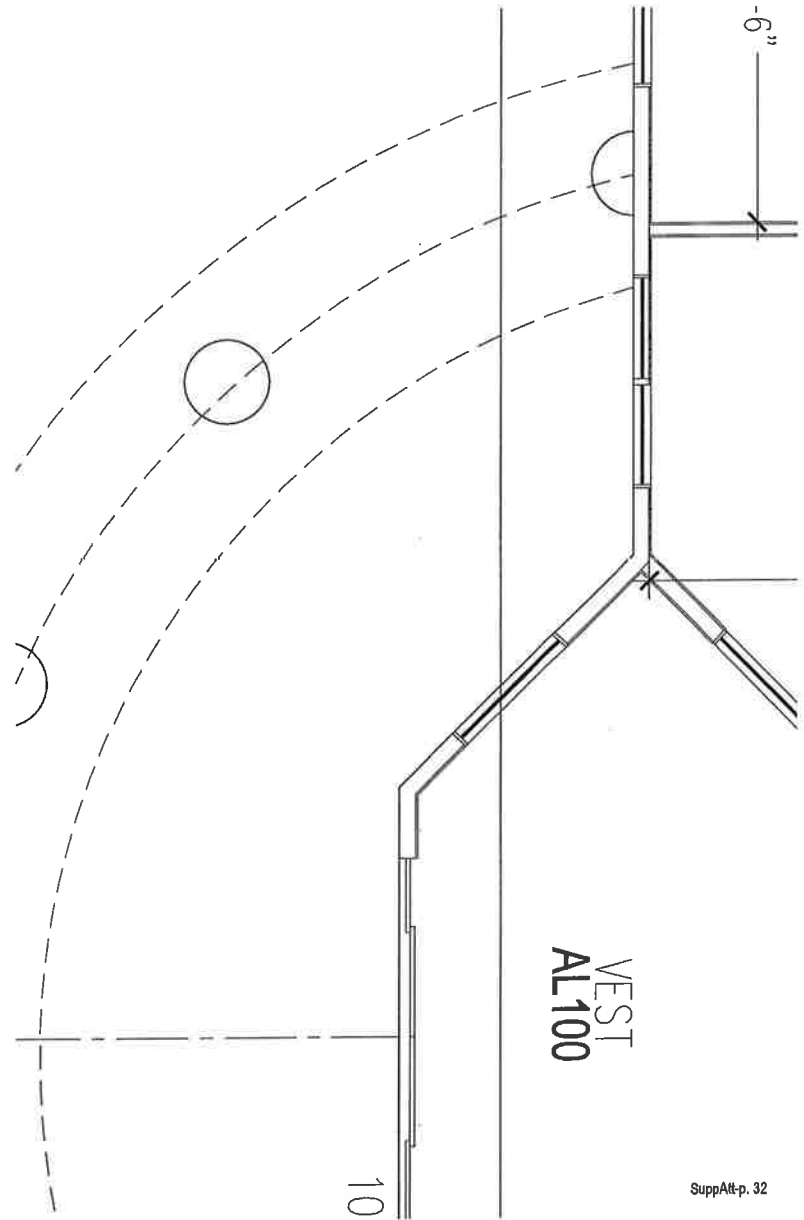




September 28, 2016

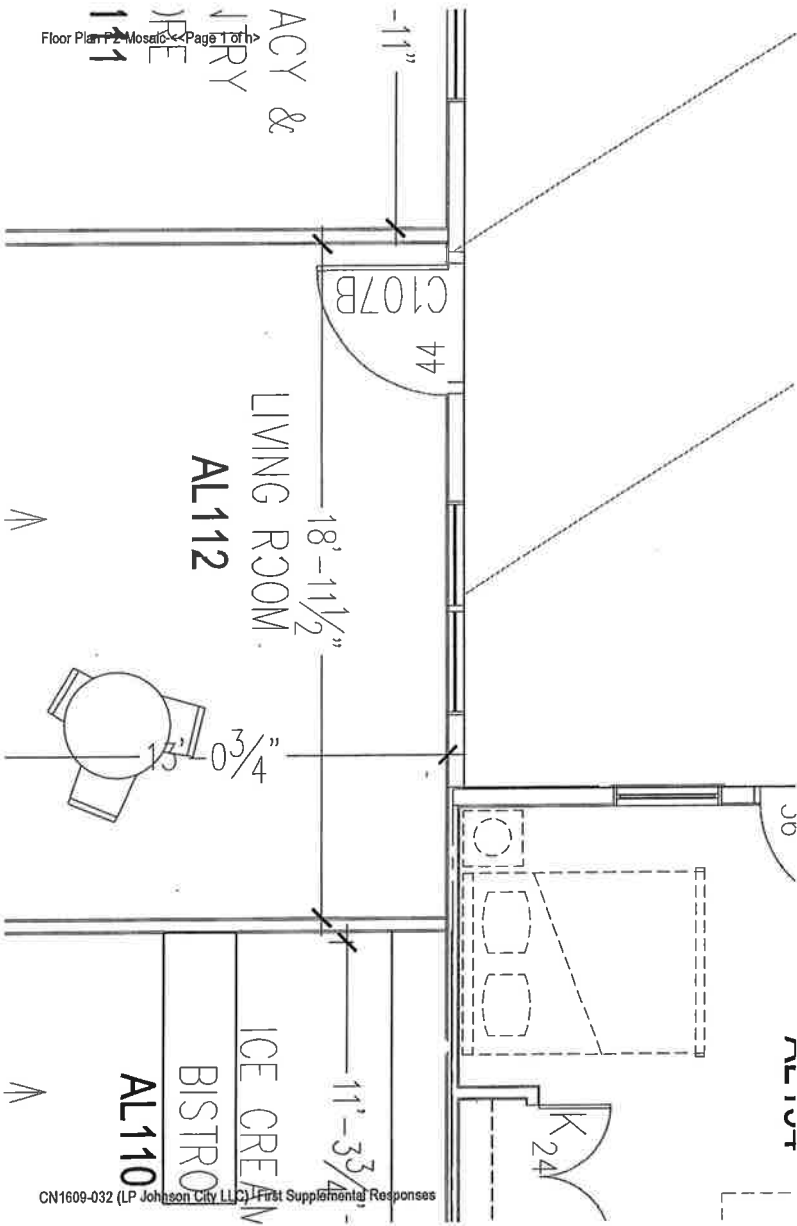
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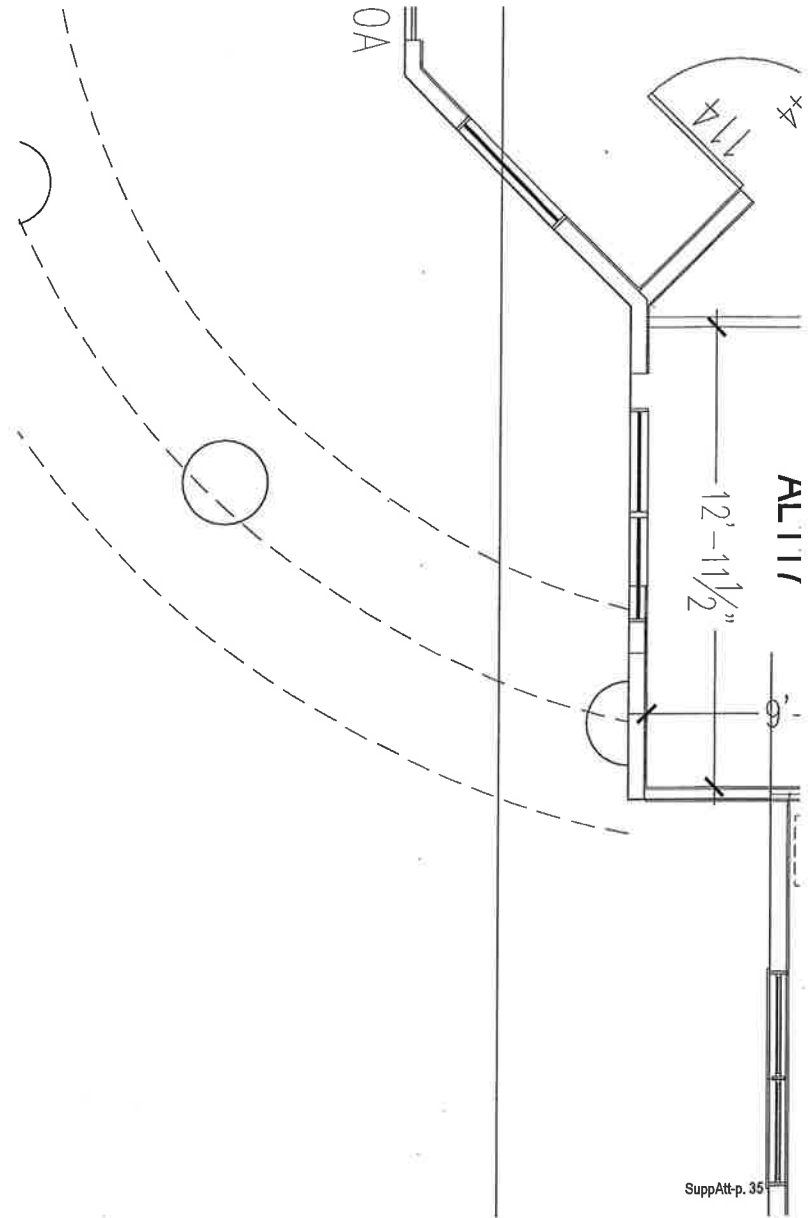


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12:19 pm

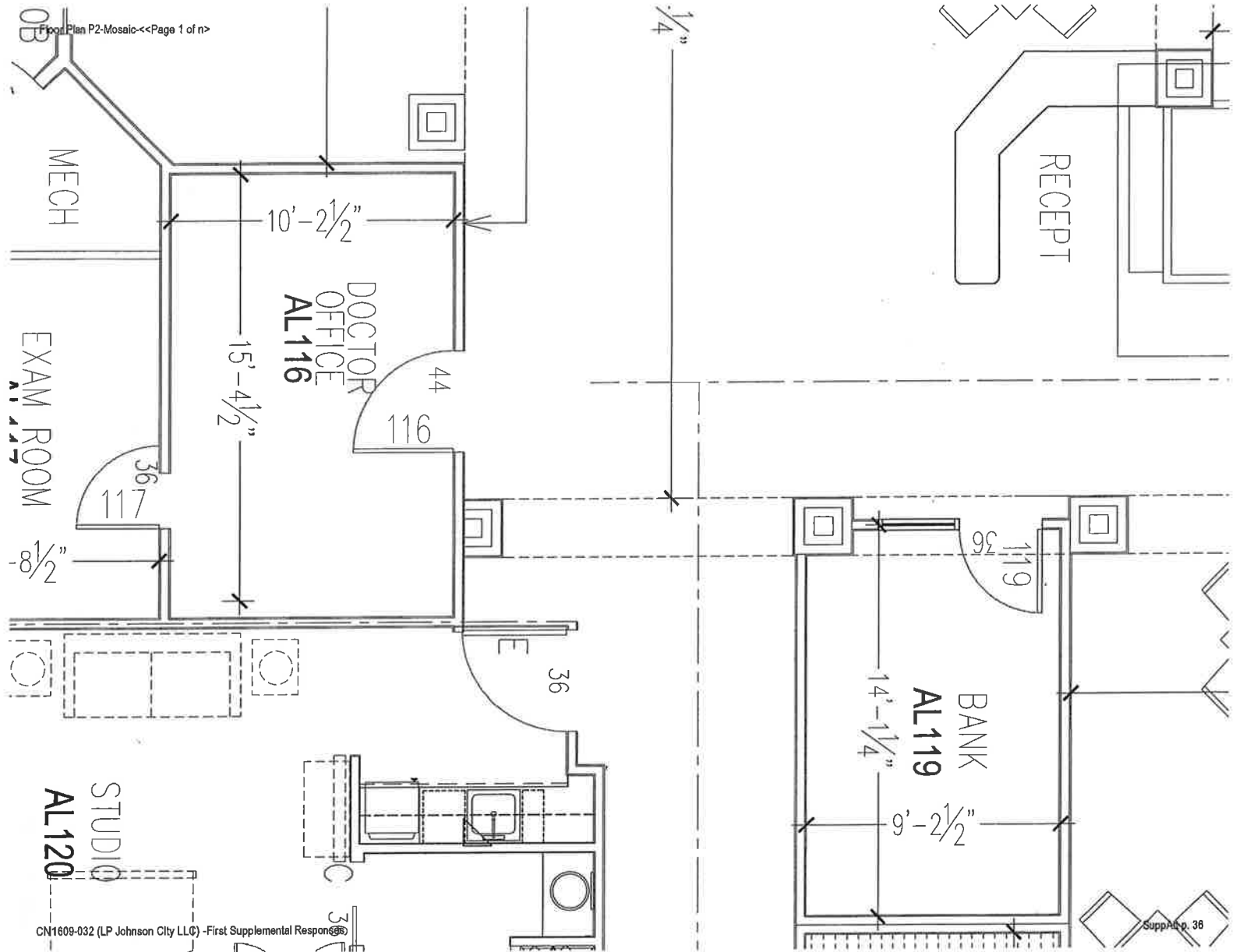


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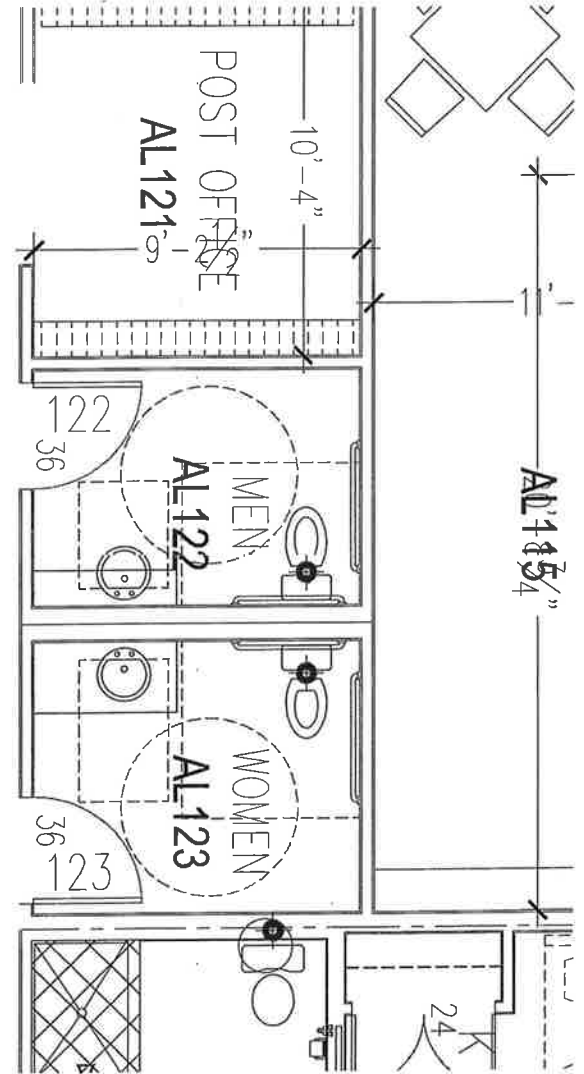


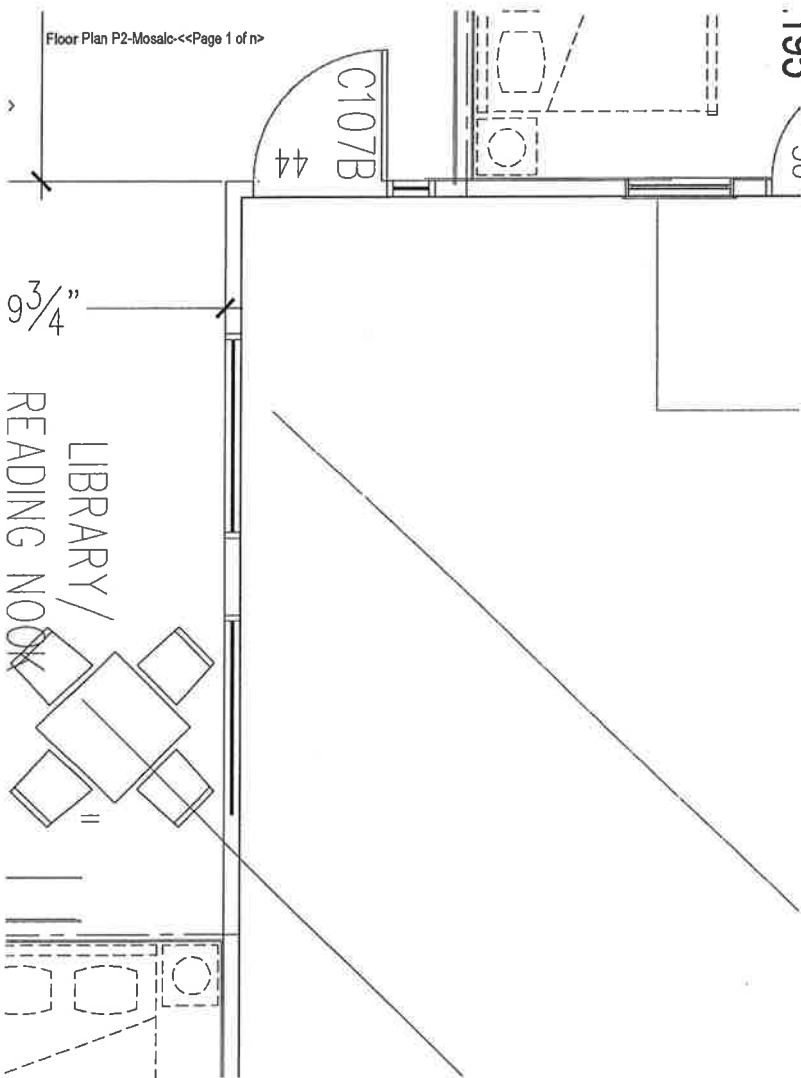
September 28, 2016

12:19 pm









Attachment Section C- Economic Feasibility-1

Documentation Supporting Construction Costs

PROJECT COST CHART

A. Construction and equipment acquired by purchase:		
1.	Architectural and Engineering Fees	135,458.34
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	31,000
3.	Acquisition of Site	-
4.	Preparation of Site	338,645.86
5.	Total Construction Costs	5,508,410.78
6.	Contingency Fund	135,458.34
7.	Fixed Equipment (Not included in Construction Contract)	945,642
8.	Moveable Equipment (List all equipment over \$50,000 as separate attachments)	-
9.	Other (Specify) _____	-
B. Acquisition by gift, donation, or lease:		
1.	Facility (inclusive of building and land)	-
2.	Building only	-
3.	Land only	539,576
4.	Equipment (Specify) _____	-
5.	Other (Specify) <u>Facility Licenses</u>	705,000
C. Financing Costs and Fees:		
1.	Interim Financing	-
2.	Underwriting Costs	-
3.	Reserve for One Year's Debt Service	-
4.	Other (Specify) <u>Closing costs</u>	183,539
D.	Estimated Project Cost (A+B+C)	8,522,730
E.	CON Filing Fee	49,005.70
F.	Total Estimated Project Cost (D+E)	8,571,736
	TOTAL	8,571,736



December 17, 2015

Ms. Melanie Hill, Director
Tennessee Health Facilities Commission
Andrew Jackson State Office Building
502 Deaderick Street, 9th Floor
Nashville, Tennessee 37243

RE: LP Johnson City, LLC, Proposed Replacement Facility

Dear Ms. Hill:

I am with Ramsey Development. I have reviewed the estimated project costs included with the Certificate of Need application to be filed for the proposed replacement facility at 401 Princeton Road, Johnson City, TN.

I have reviewed the proposed project and plans, and it is intended that our company will construct the new facility. From the information I have reviewed, we have evaluated the total projected costs cited in the application for this project and believe them to be reasonable based on our experience and judgement. Based upon the plans, the total project square footage is 73,168 and that allocated to the SNF is 33,037.

The proposed facility will be constructed to meet all applicable building and life safety codes and those codes will be followed in the construction. I have included a list of such codes as an attachment to this letter.

Should you have any other questions for which I can be of assistance, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Satterfield", with a long horizontal line extending to the right.

Stephen Satterfield
Managing Director



SIGNATURE HEALTHCARE, LLC

12201 Bluegrass Parkway
 Louisville, KY 40299
 Ph: 502.568.7800 Fx: 502.568.7160
 jharrison@signaturehealthcarellc.com

September 1, 2016

Ms. Melanie Hill
 Executive Director
 Tennessee Health Services and Development Agency
 Andrew Jackson, 9th Floor
 502 Deaderick Street
 Nashville, Tennessee 37243

Dear Ms. Hill:

My name is John Harrison and I serve in the capacity of Chief Financial Officer for Signature HealthCARE, LLC. In support of the application of LP Johnson City, LLC for a proposed replacement facility of the Princeton Transitional Care (34 beds) and Franklin Transitional Care (13 beds) nursing homes, I state the following:

1. The construction costs and other initial capital costs for the project will be paid for from a combination of cash reserves of LP Johnson City, LLC and its affiliate organization, Signature HealthCARE, LLC, and available financing under Signature HealthCARE, LLC and its affiliates.
2. LP Johnson City, LLC and Signature HealthCARE, LLC have sufficient cash flow available to service any indebtedness from the project.
3. Based on the projections in the pro forma done on the proposed facility, there will be sufficient funds generated from the project to make the project profitable prior to the end of the second year of operations; and with respect to the skilled nursing facility portion of the project, it is projected that there will be sufficient funds generated to make that portion of the project profitable within the first year of operations.

Please let me know if you have any further questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "John Harrison", with a long horizontal line extending to the right.

John Harrison
 Chief Financial Officer

Attachment Section C- Economic Feasibility-2

Documentation of Financial Feasibility

**SIGNATURE HEALTHCARE, LLC**

12201 Bluegrass Parkway

Louisville, KY 40299

Ph: 502.568.7800 Fx: 502.568.7160

jharrison@signaturehealthcarellc.com

September 1, 2016

Ms. Melanie Hill
 Executive Director
 Tennessee Health Services and Development Agency
 Andrew Jackson, 9th Floor
 502 Deaderick Street
 Nashville, Tennessee 37243

Dear Ms. Hill:

My name is John Harrison and I serve in the capacity of Chief Financial Officer for Signature HealthCARE, LLC. In support of the application of LP Johnson City, LLC for a proposed replacement facility of the Princeton Transitional Care (34 beds) and Franklin Transitional Care (13 beds) nursing homes, I state the following:

1. The construction costs and other initial capital costs for the project will be paid for from a combination of cash reserves of LP Johnson City, LLC and its affiliate organization, Signature HealthCARE, LLC, and available financing under Signature HealthCARE, LLC and its affiliates.
2. LP Johnson City, LLC and Signature HealthCARE, LLC have sufficient cash flow available to service any indebtedness from the project.
3. Based on the projections in the pro forma done on the proposed facility, there will be sufficient funds generated from the project to make the project profitable prior to the end of the second year of operations; and with respect to the skilled nursing facility portion of the project, it is projected that there will be sufficient funds generated to make that portion of the project profitable within the first year of operations.

Please let me know if you have any further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "John Harrison", with a long horizontal flourish extending to the right.

John Harrison
 Chief Financial Officer

Attachment Section C- Economic Feasibility-6

Project Financial Information

**Attachment (III.) Contribution To The Orderly
Development Of Health Care – 4(B)**

**Current Survey Report for
Princeton Transitional Care**



STATE OF TENNESSEE
DEPARTMENT OF HEALTH
OFFICE OF HEALTH LICENSURE AND REGULATION
EAST TENNESSEE REGION
7175 STRAWBERRY PLAINS PIKE, SUITE 103
KNOXVILLE, TENNESSEE 37914

September 28, 2015

Ms. Jennie Hornsby, Administrator
Princeton Transitional Care Unit
400 N. State of Franklin Road
Johnson City TN 37601

Re: 44-5356

Dear Ms. Hornsby:

The East Tennessee Regional Office of Health Care Facilities conducted a Health and Life Safety Code recertification survey on August 10 - 13, 2015. A desk review of your plan of correction for deficiencies cited as a result of the survey was conducted September 23, 2015. Based on the review, we are accepting your plan of correction and are assuming your facility is in compliance with all participation requirements as of September 16, 2015.

If you have any questions, please contact the East Tennessee Regional Office by phone: 865-594-9396 or by fax: 865-594-5739.

Sincerely,

Karen B. Kirby, R.N.
Regional Administrator
ETRO Health Care Facilities

KK:afi



STATE OF TENNESSEE
DEPARTMENT OF HEALTH
OFFICE OF HEALTH LICENSURE AND REGULATION
EAST TENNESSEE REGION
7175 STRAWBERRY PLAINS PIKE, SUITE 103
KNOXVILLE, TENNESSEE 37914

IMPORTANT NOTICE - PLEASE READ CAREFULLY

August 24, 2015

Ms. Jenny Hornsby, Administrator
Princeton Transitional Care Unit
400 N. State of Franklin Road
Johnson City TN 37601

RE: 44-5356

Dear Ms. Hornsby:

The East Tennessee Regional Office of Health Care Facilities conducted a Health and Life Safety Code recertification survey on August 10 - 13, 2015. This letter to you is to serve as notice that as a result of the survey completed **August 13, 2015**, your facility was not in substantial compliance with the participation requirements of Medicare and/or Medicaid Programs. A statement of deficiencies (CMS 2567) is being provided to you with this letter.

If you do not achieve substantial compliance by **September 27, 2015** (45th day), our office will recommend to the Centers for Medicare & Medicaid Services (CMS) and/or the State Medicaid Agency that enforcement remedies be imposed.

All references to regulatory requirements contained in this letter are found in Title 42, Code of Federal Regulations.

Mandatory Remedies

If you do not achieve substantial compliance by **November 13, 2015**, (3 months after the last day of the survey identifying noncompliance **August 13, 2015**), the CMS Regional Office and/or State Medicaid Agency must deny payments for new admissions.

We will also recommend to the CMS Regional Office that your Provider Agreement be terminated on **February 13, 2016**, if substantial compliance is not achieved by that time.

Please note that this notice does not constitute formal notice of imposition of alternative remedies or termination of your provider agreement. Should the Centers for Medicare and Medicaid Services determine that termination or any other remedy is warranted, it will provide you with a separate formal notification of that determination.

Ms. Jenny Hornsby, Administrator
 August 24, 2015
 Page 2

Plan of Correction (POC)

A POC for the deficiencies must be submitted by **September 3, 2015**. Failure to submit an acceptable POC by **September 3, 2015**, may result in the imposition of remedies by **September 27, 2015**.

Your POC must contain the following:

What corrective action(s) will be accomplished for those residents found to have been affected by the deficient practice;

How you will identify other residents having the potential to be affected by the same deficient practice and what corrective action will be taken;

What measures will be put into place or what systematic changes you will make to ensure that the deficient practice does not recur; and

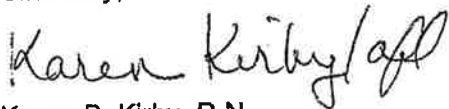
How the corrective action(s) will be monitored to ensure the deficient practice will not recur; i.e., what quality assurance program will be put into place.

INFORMAL DISPUTE RESOLUTION

In accordance with 488.331, you have one opportunity to question cited deficiencies. You may request a Face to Face IDR for substandard level deficiencies, harm level deficiencies and immediate jeopardy level deficiencies. All other deficiencies will receive a desk review (telephone or written) by the Regional Office that cited the deficiency. These requests must be made within the same 10-calendar day period that you have for submitting an acceptable plan of correction and must contain additional justification as to why the deficiency(ies) should not have been written for harm level deficiencies or other deficiencies that are not substandard or immediate jeopardy. Evidence to dispute the scope and severity levels may only be submitted for substandard or immediate jeopardy deficiencies. Additional information which must be submitted with your request for an IDR is limited to no more than five (5) typed pages with a font size of no less than ten (10). If the facility is requesting a desk review in addition to a face to face IDR, the facility must submit two separate requests with their plan of correction to the State Survey Agency at the address on this letter, telephone 865-594-9396 or fax number 865-594-5739. An incomplete Informal Dispute Resolution process will not delay the effective date of any enforcement action.

If you have any questions, please contact the East Tennessee Regional Office by phone: 865-594-9396 or by fax: 865-594-5739.

Sincerely,



Karen B. Kirby, R.N.
 Regional Administrator
 ETRO Health Care Facilities

KK:afI

Enclosure

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

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PRINTED: 08/21/2015
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445356	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED 08/13/2015
NAME OF PROVIDER OR SUPPLIER PRINCETON TRANS CARE AT NORTH			STREET ADDRESS, CITY, STATE, ZIP CODE 400 NORTH STATE OF FRANKLIN ROAD JOHNSON CITY, TN 37601		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
F 241 SS=E	<p>483.15(a) DIGNITY AND RESPECT OF INDIVIDUALITY</p> <p>The facility must promote care for residents in a manner and in an environment that maintains or enhances each resident's dignity and respect in full recognition of his or her individuality.</p> <p>This REQUIREMENT is not met as evidenced by: Based on observation and interview, the facility failed to maintain dignity for 4 residents (#133, #120, #122, #126) of 7 residents sampled with urinary drainage bags for indwelling catheter use.</p> <p>The findings included:</p> <p>Observation during the initial tour on 8/10/15 at 10:30 AM revealed the Resident (#133) had a urinary drainage bag containing urine, hanging from the bedframe, and visible to the public from the hallway.</p> <p>Observation of Resident #120 on 8/11/2015 at 9:15 AM, in the resident's room revealed the resident had a urinary drainage bag (1/4 full) hanging from the bedframe. Continued observation revealed the urinary drainage bag was visible from the hallway.</p> <p>Observation of Resident #122 on 8/11/15 at 1:15 PM, in the resident's room revealed the resident had a urinary drainage bag (1/2 full) hanging from the bedframe, and visible to the public from the hallway.</p> <p>Interview with the Administrator on 8/11/15 at 10:18 AM, in the hallway outside her office, confirmed the urinary drainage bags should be</p>	F 241	<p>F241</p> <p>1. 1. Patient # 133, #120, #122, and #126 are no longer patients at the facility.</p> <p>2. Current patients requiring a urinary drainage bag with cover were reviewed on 8/10/15 by the Admin/DON. Patients requiring a urinary drainage bag cover that did not have one were provided one on 8/10/15 & 8/11/15 by the Admin/DON.</p> <p>3. Nursing staff will be educated by 9/11/15, by the DON on applying covers to urinary drainage bags. Patients with urinary drainage bags requiring covers will be audited daily for 5 of 7 days, for 2 weeks, then weekly, for 2 weeks, then monthly for 2 months by DON/Shift Leader/Charge Nurse.</p> <p>4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated. Members of the</p>		
LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE			TITLE		(X6) DATE

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See Instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
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F 241	Continued From page 1 covered. Observation of Resident #126 on 8/11/15 at 8:00 AM, on the 3300 hallway, outside the resident's room, revealed a urinary catheter bag with yellow colored urine, attached to the bedframe visible from the hallway. Interview on 8/11/15, at 8:15 AM, with the Director of Nursing, outside the resident's room, confirmed "...we don't use catheter covers here, it's a hospital setting...we don't have a policy..." Continued interview confirmed the facility failed to cover the urinary catheter bag.	F 241	quality assurance committee include but are not limited to the Medical Director, Administrator, Director of Nursing, Nurse Case Mgr, Social Services Director.		
F 242 SS=E	483.15(b) SELF-DETERMINATION - RIGHT TO MAKE CHOICES The resident has the right to choose activities, schedules, and health care consistent with his or her interests, assessments, and plans of care; interact with members of the community both inside and outside the facility; and make choices about aspects of his or her life in the facility that are significant to the resident. This REQUIREMENT is not met as evidenced by: Based on medical record review and interview, the facility failed to offer a choice of individual needs and preferences for 2 of 2 residents (#111, #114) reviewed for choices of 30 residents sampled. The findings included: Medical record review revealed Resident #111	F 242	F 242 1. Patient # 111 no longer resides at the facility. Patient # 114 was interviewed by Admin on 8/13/15 to determine their choice for sleep times. No further complaints were voiced. 2. Current patients in the facility will be interviewed by Social Services/MDS/Case managers by 9/2/15, to determine their choice in sleep times. 3. Education will be provided to the Licensed Nurses by DON/SS/CaseMgr/Shift Leader by 9/11/15 on asking patients		

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F 242	Continued From page 2 was admitted to the facility on 8/6/15 with diagnoses including Right Thigh Hematoma and Acute Respiratory Failure. Interview with Resident #111 on 8/11/15 at 10:16 AM, in the resident's room revealed the resident had not been given a choice about sleep times. Continued interview revealed "...They wake me up around 4:30 AM to do labs (laboratory testing). I would rather sleep until 9:00 AM..." Medical record review revealed Resident #114 was admitted to the facility on 8/4/15 with diagnoses including Hip Fracture and Urinary Tract Infection. Interview with Resident #114 on 8/10/15 at 2:30 PM, in the resident's room revealed the resident had not been given a choice about sleep times. Continued interview revealed "...I am woke up in early morning with vitals and door knocks...it's not like I am going to sleep until 10:00 AM..." Interview with the Admission Shift Leader #1 on 8/12/15 at 10:38 AM, in the activity room confirmed the residents had not been given a choice on admission of wake up times.	F 242	their choice for sleep times on admission. The patient's choice for sleep times will be recorded on the patients care plan. The MDS nurses, SS/Case Mgr. will audit patients care plans weekly times 4 weeks and then monthly times 2 months to ensure the sleep time choices are recorded on the care plans. The MDS/SS/CaseMgr will audit by 10 residents weekly, to ensure sleep time choices are honored when medically permissible. 4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated.		
F 253 SS=E	483.15(h)(2) HOUSEKEEPING & MAINTENANCE SERVICES The facility must provide housekeeping and maintenance services necessary to maintain a sanitary, orderly, and comfortable interior. This REQUIREMENT is not met as evidenced by: Based on observation and interview, the facility	F 253	F 253 1. Rooms # 3212, # 3218, # 3316, #3317, #3318 and # 3319, and the shower room were cleaned of dust in the ceiling heating air vents on 8/13, 8/31, and 9/1/15. by Admin/Maintenance/housekeep		

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F 253	Continued From page 3 failed to maintain a clean environment in 7 rooms (6 resident rooms and the shower room) on 2 of 2 wings of 22 rooms observed and failed to maintain a ceiling flange (chrome ring around sprinkler head) for 1 room of 22 rooms observed. The findings included: Interview and observation with the Maintenance Director on 8/12/15 at 2:45 PM, confirmed room #3212, #3218, #3316, #3317, #3318, #3319, and the shower room all had a large accumulation of dust in the ceiling heating and air vents. Interview confirmed room #3212 had a missing flange around the sprinkler head. Continued interview confirmed the vents are now cleaned by a contractor service and the vents had not been cleaned in some time.	F 253	ing. Room # 3212 missing flange around the sprinkler head was replaced by Maintenance on 8/13/15. 2. Maintenance Director and Housekeeping inspected patient rooms and shower rooms on the unit for dust in the ceiling heating air vents and flanges around the sprinkler heads. All vents will be cleaned by 9/11/15. All flanges were in place. 3. Education was provided to the Maintenance Director by the administrator on 8/13/15, regarding cleaning dust from the ceiling heating air vents and ensuring there are flanges around the sprinkler heads. Audits will be done by Maintenance weekly times 4 weeks on ceiling heating air vents for cleanliness and flanges around the sprinkler heads, then monthly times 2 months. 4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for		
F 279 SS=E	483.20(d), 483.20(k)(1) DEVELOP COMPREHENSIVE CARE PLANS A facility must use the results of the assessment to develop, review and revise the resident's comprehensive plan of care. The facility must develop a comprehensive care plan for each resident that includes measurable objectives and timetables to meet a resident's medical, nursing, and mental and psychosocial needs that are identified in the comprehensive assessment. The care plan must describe the services that are to be furnished to attain or maintain the resident's highest practicable physical, mental, and psychosocial well-being as required under §483.25; and any services that would otherwise be required under §483.25 but are not provided	F 279			

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F 279	<p>Continued From page 4</p> <p>due to the resident's exercise of rights under §483.10, including the right to refuse treatment under §483.10(b)(4).</p> <p>This REQUIREMENT is not met as evidenced by: Based on review of facility policy, medical record review, observation, and interview, the facility failed to develop a patient specific comprehensive care plan with measurable outcomes and timetables for 2 (#126, #110) of 2 residents reviewed of 30 sampled residents.</p> <p>The findings included:</p> <p>Review of facility policy, Pain Assessment and Management, reviewed 1/15 revealed "...pain is reassessed with resident care givers responding to the resident's report of pain and updating their plan of care to reflect the treatment plan..."</p> <p>Medical record review revealed Resident #126 was admitted on 7/28/15 with diagnoses including Urinary Tract Infection, Lower Left Extremity Deep Vein Thrombosis, Chronic Pain, and Anxiety.</p> <p>Medical record review of the Care Plan, Alteration in Comfort, Pain, dated 7/29/15 revealed "will obtain relief from discomfort/pain throughout SNF (Skilled Nursing Facility) stay" and "provide comfort measures [repositioning, distractions, adjustments to the environment, ect]." Further review of the care plan revealed no measurable outcome or timetable.</p> <p>Medical record review of the Admission Minimum Data Set dated 8/4/15 revealed a Brief Interview</p>	F 279	<p>three months for recommendations and further follow-up as indicated.</p> <p>F 279</p> <ol style="list-style-type: none"> 1. Patient # 126 is no longer a patient at the facility. Patient 110 care plan was updated to include outcomes, timetables and goals by MDS nurses/DON on 9/2/15. 2. Current patients care plans will be reviewed by MDS nurses/DON, by 9/2/15, looking for patient specific comprehensive care plans, to include but not limited to measurable outcomes, timetables and goals. The MDS nurses/DON/Shift leaders will audit care plans weekly for 4 weeks, then monthly for 2 months. 3. Education will be provided to the MDS Coordinators by DON/Administrator, by 9/1/15, on creating comprehensive care plans to include but not limited to measurable outcomes, 		

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F 279	Continued From page 5 Mental Status of "0" (0 to 7 indicating severe impairment), physical and verbal behaviors directed toward others "1 to 3 days," and pain medication for chronic pain. Interview with the Director of Nursing on 8/13/15 at 12:00 PM, in her office confirmed "...these aren't completed, yes, we should have completed a goal..." Further interview confirmed no specific interventions for non-pharmacological interventions "...not on this care plan..." and the facility failed to develop a patient specific comprehensive care plan for Resident #126. Medical record review revealed Resident #110 was admitted to the facility on 8/6/15 with diagnoses including Sacral Wound Infection. Medical record review of the Care Plan, Skin Integrity Concerns related to Decubitus present Sacrum, feet, heels, dated 8/8/15 revealed "...There will be no increase in number of ulcers throughout SNF (skilled nursing facility) stay..." Further review of the care plan revealed no measurable outcome or timetable. Interview with the Director of Nursing on 8/13/15 at 12:00 PM, in her office confirmed "...these aren't completed, yes, we should have completed a goal..." Further interview confirmed the facility failed to develop a patient specific comprehensive care plan for Resident #110.	F 279	timetables and goals. The DON/MDS/Shift Leaders will audit care plans weekly for 4 weeks then monthly for 2 months to include but not limited to measurable outcomes, timetables and goals. 4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated.		
F 309 SS=E	483.25 PROVIDE CARE/SERVICES FOR HIGHEST WELL BEING Each resident must receive and the facility must provide the necessary care and services to attain	F 309	F 309 1. Patients #126 and # 117 no longer reside at the facility. 2. Current patients' in the facility Medication Administration Record (MAR) were reviewed for pain medication that had been given as needed on 9/1 and 9/2/15, by DON/MDS/Shift Leader. The MAR was then reviewed to determine if patients pain was reassessed for effectiveness. Any issues that were identified		

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F 309	<p>Continued From page 6</p> <p>or maintain the highest practicable physical, mental, and psychosocial well-being, in accordance with the comprehensive assessment and plan of care.</p> <p>This REQUIREMENT is not met as evidenced by: Based on review of facility policy, medical record review, and interview, the facility failed to monitor the effectiveness of the pain medication and to provide reassessment of the pain medication for 2 (#126, #117) of 2 residents of 30 residents sampled.</p> <p>The findings included:</p> <p>Review of facility policy, Pain Assessment and Management, reviewed on 1/15, revealed "...pain is reassessed...after pain management intervention..."</p> <p>Resident #126 was admitted on 7/28/15 with diagnoses including Urinary Tract Infection, Lower Left Extremity Deep Vein Thrombosis, Chronic Pain, and Anxiety.</p> <p>Medical record review of the Discharge Medication Administration Record dated 8/11/15, for Oxycodone (narcotic pain medication) 10 milligrams, 2 tablets to be given as needed revealed 33 doses of Oxycodone was administered from 7/28/15 to 8/11/15 to Resident #126. Further review revealed 20 doses of Oxycodone were not reassessed for effectiveness within an hour of administration.</p> <p>Medical record review of the Resident Care Plan,</p>	F 309	<p>were addressed at time of discovery.</p> <p>3. Education was provided to the Licensed Nurses, by DON/Shift leaders, by 9/11/15, on administering PRN pain medication and reassessing pain after medication administering. The DON/Shift Leader will audit daily for 5 of 7 days, for 1 week the MAR for patients who receive PRN pain medication, for effectiveness, then weekly times 3 weeks then monthly times 2 months.</p> <p>4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated.</p>		

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F 309	<p>Continued From page 7</p> <p>Alteration in Comfort: Pain, dated 7/29/15, revealed an intervention "administer medications and evaluate responses to medications."</p> <p>Medical record review of the Admission Minimum Data Set, dated 8/4/15 revealed a Brief Interview Mental Status of "0" (0 to 7 indicating severe impairment), physical and verbal behaviors directed toward others "1 to 3 days" and pain medication for chronic pain.</p> <p>Interview with the Director of Nursing (DON) on 8/13/15 at 12:00 PM, in the DON's office confirmed the facility failed to reassess Resident #126 for the effectiveness of the pain medication.</p> <p>Medical record review revealed Resident #117 was admitted to the facility on 8/4/15 with diagnoses including Right Hip Fracture after Open Reduction Internal Fixation.</p> <p>Medical record review of the Medication Administration Record dated 8/13/15 revealed "...Acetaminophen (Tylenol) 650 mg [milligrams] = 2 tab PO [by mouth] (Q [every] 6 HRS [hours] prn [as needed]). Reason: Pain or Fever..."</p> <p>Medical record review of the Medication Administration Check from 8/5/15 through 8/13/15 revealed Resident #117 had requested Tylenol 7 times. Further review revealed after the administration of the Tylenol, 4 of the 7 doses (8/7/15 at 12:12 PM, 8/10/15 at 9:38 AM, 8/11/15 at 8:09 AM, and 8/12/15 at 9:17AM) had not been assessed for effectiveness.</p> <p>Interview with Resident #117 on 8/13/15 at 8:07 AM, in the resident's room confirmed the resident</p>	F 309			

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F 309	Continued From page 8 preferred to take Tylenol for her pain, her pain relief was at an acceptable level, and she could participate in therapy. Interview with the Director of Nursing (DON) on 8/13/15 at 8:40 AM, in the hallway outside of the DON's office confirmed the effectiveness of pain medication to be evaluated 1 hour after administration of pain medication.	F 309			
F 314 SS=D	483.25(c) TREATMENT/SVCS TO PREVENT/HEAL PRESSURE SORES Based on the comprehensive assessment of a resident, the facility must ensure that a resident who enters the facility without pressure sores does not develop pressure sores unless the individual's clinical condition demonstrates that they were unavoidable; and a resident having pressure sores receives necessary treatment and services to promote healing, prevent infection and prevent new sores from developing. This REQUIREMENT is not met as evidenced by: Based on review of facility policy, medical record review, observation, and interview, the facility failed to provide care to 1 resident (#110) of 1 of 2 residents reviewed for pressure sores to prevent infection of 30 sampled residents. The findings included: Review of facility policy, Pressure Ulcers, revealed "...procedure:...D. Perform hand hygiene and apply gloves...cleanse the wound of any debris..."	F 314	F 314 1. Patient # 110 was assessed on 8/13/15 by DON/Wound Care Nurse. All supplies were placed on a properly cleaned surface, wound was cleaned thoroughly, all soiled linen was removed. No signs or symptoms of infection were noted. Pressure sore had not worsened. 2. Current patients with pressure areas will be assessed by the DON/Shift leader/charge nurse/wound care nurse, by 9/1/15 for signs and symptoms of infection in the wound. No issues were identified.		

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F 314	<p>Continued From page 9</p> <p>Resident #110 was admitted to the facility on 8/6/15 with diagnoses including Sacral Wound Infection. Continued review of the care plan dated 8/6/15 revealed resident with stage 3 pressure ulcer to the coccyx and DTI (deep tissue injury) to the left heel. Review of the Physician's current orders printed 8/13/15 revealed "...miconazole 2% (antifungal cream) apply...thin layer to bilateral groin and inner thighs...venelex (ointment to promote healing) to entire buttocks..."</p> <p>Observation on 8/12/15 at 9:17 AM revealed Registered Nurse (RN) #2 obtained the miconazole cream and the venelex ointment; walked into the resident room and placed the cream and ointment on top of a biohazard waste trash can. Continued observation on 8/12/15 at 9:18 AM revealed Treatment Nurse #1 cleaned the residents overbed table and placed dressing supplies on the table. Observation revealed the resident had soiled self with liquid stool expanding to the lower back and into patient wound. Continued observation revealed the Treatment Nurse began cleaning the resident with wipes and did not thoroughly clean the resident, did not remove the soiled disposable sheet under the resident, and obtained the miconazole cream and venelex ointment from the top of the biohazard trash and placed the cream and the ointment on the cleaned overbed table. Observation revealed the Treatment Nurse then applied the venelex ointment to the resident buttocks crossed the resident rectum and to the resident wound. Further observation revealed the Treatment Nurse completed the dressing change, rolled the resident with the newly applied dressing change over the soiled sheet, and applied the miconazole ointment to the resident groin.</p>	F 314	<p>3. Education was provided to the wound care nurse by DON, on 8/12/15 regarding, but not limited to, caring for residents with pressure ulcers, dressing changes and preventing spread of infection. Licensed nurses will receive the same education delivered by DON, by 9/11/15. Wound Ostomy Continence Nurse and Infection Prevention Nurse will conduct the same education to the wound care nurses on 9/3/15. The DON/WCON nurse will audit weekly, 3 dressing changes times 2 weeks then monthly times 2 months.</p> <p>4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated.</p>	

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STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445356	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____	(X3) DATE SURVEY COMPLETED 08/13/2015
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NAME OF PROVIDER OR SUPPLIER

PRINCETON TRANS CARE AT NORTH

STREET ADDRESS, CITY, STATE, ZIP CODE

400 NORTH STATE OF FRANKLIN ROAD
JOHNSON CITY, TN 37601

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F 314	Continued From page 10 Interview with the Treatment Nurse on 8/12/15 at 10:15 AM, in the Administrator's office confirmed the wound had not been cleaned thoroughly, the soiled sheet was not removed prior to the dressing change, and the ointment and creams were placed on the clean overbed surface after being obtained from the top of the biohazard trash can. Interview with the Director of Nursing (DON) on 8/13/15 at 10:40 AM, confirmed the facility policy was not followed for wound care to prevent infection to a resident with pressure sores.	F 314		
F 371 SS=F	483.35(i) FOOD PROCURE, STORE/PREPARE/SERVE - SANITARY The facility must - (1) Procure food from sources approved or considered satisfactory by Federal, State or local authorities; and (2) Store, prepare, distribute and serve food under sanitary conditions This REQUIREMENT is not met as evidenced by: Based on review of facility policy, observation, and interview, the facility failed to maintain a sanitary kitchen for use of approved hair restraints, undated, repackaged prepared foods, personal food in utensil drawers, and dust debris on cooling fans for 3 of 7 walk-in refrigerator/freezers for 1 of 1 kitchen reviewed.	F 371	F 371 1. The unbaked pizza crusts were discarded on August 10, 2015. The Cold Prep Dietary Aide was educated on wearing the approved hair restraints on August 10, 2015. The utensil drawer was cleaned and the non-utensil items were removed on August 10, 2015. The triple cooling fan and the sides of the adjacent walls of the walk-in produce cooler were cleaned of dust debris by August 20, 2015. The walk-in catering refrigerator was cleaned of dust debris on the dual cooling fans on August 20, 2015. The open boxes of uncut fruit and vegetables were covered on August 10, 2015. The walk-in dairy cooler was cleaned of dust	

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F 371	<p>Continued From page 11</p> <p>The findings included:</p> <p>Review of facility policy, Dress Guidelines for Food Service Management and Clinical Nutrition Staff, revised 1/14 revealed "...hair restraints are worn by all when in the kitchen..."</p> <p>Review of facility policy, Food and Storage Procedures, revised 7/14 revealed "...date unused portion..."</p> <p>Review of facility policy, Food Service Cleaning Duties, undated revealed "...empty out the utensil totes...workstation shelves..."</p> <p>Review of facility policy, Area and Equipment Cleaning, revised 1/14 revealed "...clean equipment...refrigeration coils..."</p> <p>Review of facility policy, Food and Supply Storage Procedures, revised 7/14 revealed "...foods stored on "ladder/speed" racks must be fully covered to prevent contamination from airborne contaminants..."</p> <p>Observation with the Dietary Manager (DM) and the Patient Service Manager, of the kitchen on 8/10/15 at 4:00 PM, in the cold prep area revealed 1 Cold Prep Dietary Aide with a black cotton cap on the head with visible hair on the sides of the face and a pony tail extending past the cap. Continued observation revealed the Cold Prep Dietary Aide cutting up strawberries.</p> <p>Observation with the DM and the Patient Service Manager on 8/10/15 at 4:20 PM, of reach-in cooler #6 revealed a metal pan with 6 undated, repackaged unbaked pizza crusts.</p>	F 371	<p>on the dual cooling fans by August 20, 2015.</p> <p>2. The Dietary Manager audited the kitchen for dust debris, foods not being labeled, utensil drawers containing proper articles, food that is opened being dated; food is covered when stored and staff wearing approved hair restraints by 9/11/15. No issues were identified.</p> <p>3. Education was provided to the Dietary Manger on August 26, 2015, by Risk Mgt/compliance to include but not limited to staff wearing approved hair restraints, cleaning of refrigerators, labeling and dating food and storing of food. The Dietary Manager will then will educate the dietary staff by 9/11 to include but not limited to staff wearing approved hair restraints, cleaning of refrigerators, labeling and dating food that food is covered when stored and storage of food. The Dietary Mgr/Director will audit daily Monday through Friday the staff for</p>		

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F 371	Continued From page 12 Observation with the DM and the Patient Service Manager on 8/10/15 at 4:25 PM revealed a utensil drawer with the following: 2 can openers, scissors, 2 measuring cups, and 1 pastry brush. Further observation revealed 1 large candy bar and 5 small chocolate candies in the drawer. Observation with the DM and the Patient Service Manager on 8/10/15 at 4:30 PM, of the walk-in produce cooler #3 revealed dust debris on the triple cooling fan and on the sides of the adjacent walls. Further observation revealed a ladder cart with a plastic cover ripped open and 4 peach cobbles exposed to the fans. Observation with the DM and the Patient Service Manager on 8/10/15 at 4:35 PM, of the walk-in catering refrigerator revealed dust debris on the dual cooling fans. Continued observation revealed open boxes of uncut assorted fruit and vegetables. Observation with the DM and the Patient Service Manager on 8/11/15 at 10:30 AM, of the walk-in dairy cooler #8 revealed dust on the dual cooling fans. Interview with the DM on 8/13/15 at 8:10 AM, in the Activity/Dining room confirmed the facility failed to monitor the approved hair restraints, to date opened, repackaged foods, to store personal foods with dietary utensils, and to clean cooling fans to maintain sanitary conditions in the kitchen.	F 371	wearing approved hair restraints, labeling and dating of food, that food is covered when stored, cleanliness of refrigerators and utensils drawers containing proper articles times 2 weeks, then weekly times 2 weeks then monthly times 2 months. 4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated.		
F 372 SS=C	483.35(i)(3) DISPOSE GARBAGE & REFUSE PROPERLY The facility must dispose of garbage and refuse	F 372	F 372 1. Debris and trash around the dumpster was picked up and discarded and the area was rinsed with disinfectant cleaner, by environmental services worker, on 8/11/15. 2. The standard of work procedure for dumpster cleaning was reviewed and in serviced to the environmental staff and dietary director, to ensure the cleanliness of the dumpster area on 8/11/15, by the Quality Manager Director.		

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F 372	Continued From page 13 properly. This REQUIREMENT is not met as evidenced by: Based on review of facility policy, observation, and interview, the facility failed to maintain a clean area, free of debris, for 1 of 1 dumpster reviewed. The findings included: Review of facility policy, Dumpster Cleaning Process, not dated revealed "...rinse dumpster and area...pick up any remaining trash..." Observation with the Dietary Director and the Patient Service Manager on 8/11/15 at 10:55 AM, at the 1 of 1 dumpster revealed on the outside of the dumpster the following: 1 empty plastic water bottle, 2 blue rubber gloves, a large plastic bag of trash, and other trash debris. Continued observation revealed a mixture of food debris and wet fluid under the dumpster flowing approximately 16 feet to the common driveway. Interview with the Dietary Director on 8/11/15 at 11:00 AM, at the dumpster confirmed "...it's kind of nasty..." Further interview confirmed the facility failed to maintain the cleanliness of the dumpster area.	F 372	3. The Dietary Director/Environmental Services Director in- serviced the environmental staff on the proper process and standard for maintaining cleanliness of the dumpster area. The Director of Dietary/EVS Director will audit daily for 1 week,* then weekly for 1 month, then monthly for 2 months, the dumpster area for maintaining a clean area, free of debris. 4. Findings of the above audits will be discussed in the Quality Assurance Performance Improvement Committee, monthly for 3 months, for compliance, recommendations, and any further follow up, as indicated. F 431	(5 of 7 days)
F 431 SS=E	483.60(b), (d), (e) DRUG RECORDS, LABEL/STORE DRUGS & BIOLOGICALS The facility must employ or obtain the services of a licensed pharmacist who establishes a system of records of receipt and disposition of all controlled drugs in sufficient detail to enable an	F 431	1. The medication was removed from the Lasix drawer on August 13, 2015. 2. The electronic medication delivery system was audited by the Pharmacist/pharmacy technician on 8/13/15, to ensure medications were stored properly.	

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F 431	<p>Continued From page 14</p> <p>accurate reconciliation; and determines that drug records are in order and that an account of all controlled drugs is maintained and periodically reconciled.</p> <p>Drugs and biologicals used in the facility must be labeled in accordance with currently accepted professional principles, and include the appropriate accessory and cautionary instructions, and the expiration date when applicable.</p> <p>In accordance with State and Federal laws, the facility must store all drugs and biologicals in locked compartments under proper temperature controls, and permit only authorized personnel to have access to the keys.</p> <p>The facility must provide separately locked, permanently affixed compartments for storage of controlled drugs listed in Schedule II of the Comprehensive Drug Abuse Prevention and Control Act of 1976 and other drugs subject to abuse, except when the facility uses single unit package drug distribution systems in which the quantity stored is minimal and a missing dose can be readily detected.</p> <p>This REQUIREMENT is not met as evidenced by: Based on observation and interview, the facility failed to store drugs and biologicals correctly in 1 of 2 electronic medication delivery systems.</p> <p>The findings included:</p> <p>Observation of Registered Nurse (RN) #1 on</p>	F 431	<p>3. The Pharmacy Director educated on 8/19/15, the Pharmacist/pharmacy technician on appropriate medication storage in the electronic medication delivery system. The Director of Pharmacy will audit weekly times 1 month and then monthly times 2 months the electronic medication delivery system for appropriate medication storage.</p> <p>4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated.</p>	

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F 431	Continued From page 15 8/13/15 at 8:15 AM revealed the RN conducting a medication pass. Continued observation revealed a Lasix (medication for increased fluid) was not in the medication cart. Observation revealed the RN obtained a medication from the electronic medication delivery system identified to be in the Lasix bin. Further observation revealed the RN obtained a medication from the Lasix bin which was Amodopine (medication for hypertension or coronary artery disease). Observation and review of the Lasix bin revealed multiple Lasix and a total of 4 Amodopine pills in the same bin.	F 431		
F 441 SS=E	Interview with RN #1 on 8/13/15 at 8:24 AM confirmed the medication was stored incorrectly in the electronic medication system. 483.65 INFECTION CONTROL, PREVENT SPREAD, LINENS The facility must establish and maintain an Infection Control Program designed to provide a safe, sanitary and comfortable environment and to help prevent the development and transmission of disease and infection. (a) Infection Control Program The facility must establish an Infection Control Program under which it - (1) Investigates, controls, and prevents infections in the facility; (2) Decides what procedures, such as isolation, should be applied to an individual resident; and (3) Maintains a record of incidents and corrective actions related to infections. (b) Preventing Spread of Infection (1) When the Infection Control Program determines that a resident needs isolation to	F 441	F 441 1. Patient # 110 was assessed on 8/13/15 by DON/Wound Care/Nurse. Wound was clean; no soiled linen was on bed. No signs or symptoms of infection were noted. Wound had not worsened. 2. Current patients with pressure areas will be assessed by the DON/Shift Leader/charge nurse/wound care nurse, by 9/1/15 for signs and symptoms of infection in the wound. No issues were identified.	

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F 441	<p>Continued From page 16</p> <p>prevent the spread of infection, the facility must isolate the resident.</p> <p>(2) The facility must prohibit employees with a communicable disease or infected skin lesions from direct contact with residents or their food, if direct contact will transmit the disease.</p> <p>(3) The facility must require staff to wash their hands after each direct resident contact for which hand washing is indicated by accepted professional practice.</p> <p>(c) Linens Personnel must handle, store, process and transport linens so as to prevent the spread of infection.</p> <p>This REQUIREMENT is not met as evidenced by: Based on medical record review, observation, and interview, the facility failed to prevent cross-contamination during direct patient care for 1 resident (#110) of 2 residents reviewed for direct patient care of 30 sampled residents.</p> <p>The findings included:</p> <p>Medical record review revealed Resident #110 was admitted to the facility on 8/6/15 with diagnoses including Sacral Wound Infection.</p> <p>Medical record review of the care plan dated 8/6/15 revealed resident with methicillin resistant staphylococcus aureus (MRSA) "...Goal...caregivers will verbalize measures to reduce the risk of infection..."</p> <p>Observation on 8/12/15 at 9:20 AM revealed</p>	F 441	<p>3. Education was provided to the wound care nurse by DON on 8/12/15, regarding, but not limited to, caring for patients with pressure ulcers, dressing changes and preventing spread of infection. Licensed nurses will receive the same education delivered by DON/Shift Leader/WCON nurse by 9/11/15. The DON/WCON nurse will audit weekly 3 dressing changes times 2 weeks then monthly times 2 months.</p> <p>4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated.</p>	

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F 441	Continued From page 17 Treatment Nurse #1 and Certified Nursing Assistant (CNA) #1 providing care to Resident #110 in contact isolation. Observation revealed the resident had soiled self with liquid stool expanding to the lower back and into patient wound. Continued observation revealed the Treatment Nurse began cleaning the resident with wipes and did not thoroughly clean the resident, did not remove the soiled disposable sheet under the resident, and proceeded to complete wound care on the resident. Further observation revealed the Treatment Nurse completed a dressing change and rolled the resident with the newly applied dressing change over the soiled sheet.	F 441	F 514 1. Resident # 97 and # 100 no longer reside at the facility. 2. Current residents meal percentage documentation for the past week will be audited by DON/ShiftLeader by 9/4/14 to determine if any percentages are not documented, and to which Or which meal the missing documentation is occurring on, if additional is found. Current residents admission skin assessments, that were admitted in the past 2 weeks, will be audited by the DON/Shift Leader/MDS, by 9/4/15. The same patients will be evaluated to assure that initial assessment and second assessment by nursing/wound care nurse are accurate. If there are any discrepancies the DON/Shift leader will review the chart to capture date of any new areas to ensure accurate assessment was completed.		
F 514 SS=D	483.75(l)(1) RES RECORDS-COMPLETE/ACCURATE/ACCESSIBLE The facility must maintain clinical records on each resident in accordance with accepted professional standards and practices that are complete; accurately documented; readily accessible; and systematically organized. The clinical record must contain sufficient information to identify the resident; a record of the resident's assessments; the plan of care and services provided; the results of any preadmission screening conducted by the State; and progress notes.	F 514	3. Education will be provided to the Licensed Nurses by the DON/Shift Leader/WCON nurse, by 9/11/15, to include but not limited to, completion		

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F 514	<p>Continued From page 18</p> <p>This REQUIREMENT is not met as evidenced by: Based on medical record review and interview, the facility failed to complete documentation of meal intake for 1 resident (#97) and failed to document an accurate skin assessment for 1 resident (#110) of 2 of 17 records reviewed.</p> <p>The findings included:</p> <p>Medical record review revealed Resident #97 was admitted to the facility on 5/28/15 with diagnoses including Coronary Artery Disease, Benign Prostatic Hypertrophy/Prostate Cancer, Paroxysmal Atrial Fibrillation, and Dementia.</p> <p>Medical record review of the Daily Intake/Output Detail Reports dated 5/28/15 through 6/17/15 revealed 29 of 60 opportunities to record meal intake had not been documented.</p> <p>Interview with Registered Dietician (RD) #1 on 8/13/15 at 9:55 AM, in the nurse's station on the 3200 hallway confirmed the RD would expect the meal intake to be documented with the amount/percentage of the meal consumed for every mealtime.</p> <p>Interview with the Director of Nursing (DON) on 8/13/15 at 8:55 AM, in the DON's office confirmed the facility's expectation was for the meal intake to be documented for all meals and was aware the poor documentation had been an area of concern.</p> <p>Medical record review revealed resident #110</p>	F 514	<p>of skin assessments on admission, documentation of skin assessments on admission and accuracy of documentation of skin assessments on admission. The Shift Leader/Admissions Nurse will complete the initial skin assessment and consult the wound care nurse with any evidence of skin impairment. The wound care nurse will perform a second skin assessment on new admissions within 48 hours (if consulted) of admission checking for skin issues and accuracy of admission skin assessments, and establish a plan of care. A licensed nurse will complete a daily skin assessment thereafter.</p> <p>Wound care nurse will reassess weekly and/or PRN. The DON/shift leader will audit 10 patients for accuracy in the continuity of initial skin assessment and wound care assessment for 5 of 7 days for 2 weeks, then weekly for 2 weeks, then monthly for 2 months. the skin assessment process, daily, 5 of 7 days, times 2 weeks, then weekly</p>		

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JOHNSON CITY, TN 37601

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F 514	<p>Continued From page 19</p> <p>was admitted to the facility on 8/6/15 with diagnoses including Sacral Wound Infection. Continued review of a Skin Assessment dated 8/6/15 on admission revealed "...Red...heel on left...right heel DTI (deep tissue injury)..."</p> <p>Observation on 8/12/15 at 9:32 AM revealed Treatment Nurse #1 and Certified Nursing Assistant (CNA) #1 providing care to Resident #110. Continued observation revealed the resident to have a left heel DTI and the right heel to be red.</p> <p>Interview with the Director of Nursing (DON) on 8/12/15 at 2:32 PM, in the DON's office confirmed the admission skin assessment was inaccurate.</p>	F 514	<p>times 2 weeks then monthly times 2 months.</p> <p>The meal percentage documentation will be audited by the DON/Shift Leader/Dietary Director daily for 5 of 7 days, for 2 weeks, then weekly for 2 weeks, then monthly for 2 months, to check for completion. Any areas of concern will be addressed immediately.</p> <p>4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated.</p>	

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TN9004	(X2) MULTIPLE CONSTRUCTION A. BUILDING: _____ B. WING: _____		(X3) DATE SURVEY COMPLETED 08/13/2015
NAME OF PROVIDER OR SUPPLIER PRINCETON TRANS CARE AT NORTH		STREET ADDRESS, CITY, STATE, ZIP CODE 400 NORTH STATE OF FRANKLIN ROAD JOHNSON CITY, TN 37601			
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE	
N 000	Initial Comments A licensure survey was completed on August 10-13, 2015, at Princeton Transitional Care. No deficiencies were cited under Chapter 1200-8-6, Standards for Nursing Homes.	N 000			

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

STATE FORM

6860

5QVH11

If continuation sheet 1 of 1

DEPARTMENT OF HEALTH AND HUMAN SERVICES 143
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 08/21/2015
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445356	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____		(X3) DATE SURVEY COMPLETED 08/10/2015
NAME OF PROVIDER OR SUPPLIER PRINCETON TRANS CARE AT NORTH			STREET ADDRESS, CITY, STATE, ZIP CODE 400 NORTH STATE OF FRANKLIN ROAD JOHNSON CITY, TN 37601		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
K 062 SS=D	<p>NFPA 101 LIFE SAFETY CODE STANDARD</p> <p>Required automatic sprinkler systems are continuously maintained in reliable operating condition and are inspected and tested periodically. 19.7.6, 4.6.12, NFPA 13, NFPA 25, 9.7.5</p> <p>This STANDARD is not met as evidenced by: Based on observation, the facility failed to maintain the automatic sprinkler system and its components.</p> <p>The findings include:</p> <p>Observation on 8/10/15 at 11:15 AM revealed mixed response sprinkler heads of quick response and standard response sprinkler heads in the 3200 corridor by room 3205 are installed in the same compartment.</p> <p>This finding was verified by the multi-facilities director and acknowledged by administration during the exit conference on 8/10/15.</p>	K 062	<p>K 062</p> <ol style="list-style-type: none"> 1. The sprinkler heads were changed to the standard response sprinkler heads by the Facilities Planning Engineering Supervisor by August 21, 2015. 2. The Facilities Planning Engineering Supervisor audited sprinkler heads in the facility by August 21, 2015. No other issues were noted. 3. Education was provided to the Maintenance Director by the Engineering Director/Administrator on August 12, 2015, to include but not limited to the requirement that automatic sprinkler systems are continuously maintained in reliable operating condition and are inspected and tested periodically. The Maintenance Director will audit the facility sprinkle heads monthly to ensure sprinkler heads remain of the standard response type. 4. Findings of the above stated audits will be discussed in the quality assurance performance improvement committee meeting monthly for three months for recommendations and further follow-up as indicated. 		
LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE					

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TN9004	(X2) MULTIPLE CONSTRUCTION A. BUILDING: 01 - MAIN BUILDING 01 B. WING _____	(X3) DATE SURVEY COMPLETED 08/10/2015
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NAME OF PROVIDER OR SUPPLIER

STREET ADDRESS, CITY, STATE, ZIP CODE

PRINCETON TRANS CARE AT NORTH

400 NORTH STATE OF FRANKLIN ROAD
JOHNSON CITY, TN 37601

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
N 002	1200-8-6 No Deficiencies This Rule is not met as evidenced by: During the Life Safety portion of the annual Licensure survey conducted on 8/10/15, no deficiencies were cited under 1200-8-6, Standards for Nursing Homes.	N 002		

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

STATE FORM

6899

5QVH21

If continuation sheet 1 of 1

Affidavit

AFFIDAVITSTATE OF KENTUCKYCOUNTY OF JEFFERSON

SANDRA ADAMS, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. §68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

Sandra Adams
SIGNATURE/TITLE

Sworn to and subscribed before me this 1ST day of SEPTEMBER, 2016 a Notary
(Month) (Year)

Public in and for the County/State of JEFFERSON/KENTUCKY.

Melody Shannon
NOTARY PUBLIC

My commission expires AUGUST 20, 2017
(Month/Day) (Year)

MELODY SHANNON
Notary Public-State at Large
Kentucky - Notary ID#495423
My Commission Expires August 20, 2017

Proof of Publication

JOHNSON CITY PRESS
204 W. Main Street
Johnson City, TN 37604
AFFIDAVIT OF PUBLICATION

AD#

1321577


DATES:

9-2-2016

State of Tennessee)
Carter County)
Washington County)

Teresa Hicks makes the oath that she is a Representative of The Johnson City Press, a
daily newspaper published in Johnson City, in said County and State, and that the
advertisement was published in said paper for 1 insertion (s) commencing on

9-2-2016 and ending on 9-2-2016.


Teresa Hicks

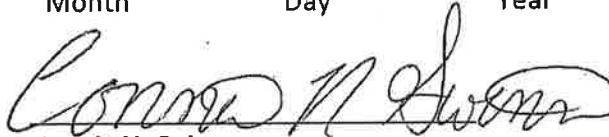
Sworn to and Subscribed before me this

9 2 2016

Month

Day

Year


Connie N. Guinn
Notary Public

My commission expires on 03/28/2017

This legal notice was published online at www.johnsoncitypress.com and
www.publicnoticeads.com during the duration of the run dates listed. This publication fully
complies with Tennessee Code Annotated 1-3-20

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq. and the Rules of the Health Services and Development Agency, that LP Johnson City, LLC, a Delaware limited liability company qualified to do business in Tennessee and which is a joint venture between SHC LP Holdings III, LLC, an affiliate of Signature HealthCARE, LLC ("SHC") and Blue Ridge Medical Management Corporation, an affiliate of Mountain States Health Alliance ("MSHA"), intends to file an application for a Certificate of Need for a forty-seven (47) bed replacement nursing home facility to be located at 401 Princeton Road, Johnson City, TN (Washington County) on the campus of what was formerly Northside Hospital. The proposed new facility will be managed by Signature Healthcare Consulting Services, LLC and Signature Healthcare Clinical Consulting Services, LLC and will relocate and replace, respectively, two existing MSHA nursing home facilities, the thirty-four (34) bed Princeton Transitional Care (Lic. #337) located within Johnson City Medical Center at 400 N. State of Franklin Road, Johnson City, TN (Washington County) and Franklin Transitional Care, which holds an inactive license for a thirteen (13) bed nursing home facility at 400 N. State of Franklin Road, Johnson City, TN (Washington County). There is no major medical equipment required for this project. If approved, the project and its beds will be licensed by the Tennessee Department of Health as nursing home beds and certified for participation in Medicare. The estimated project cost is \$8,571,736.00.

The anticipated filing date of the application is on or before September 7, 2016. The contact person for this project is Christopher C. Puri, Attorney, who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, TN 37203. Mr. Puri's telephone number is 615-252-4643 and his e-mail address is cpuri@bradley.com.

Signature	September 2, 2016	cpuri@bradley.com
	Date	E-mail Address

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

(A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Supplemental #1 -COPY-

LP Johnson City, LLC

CN1609-032

Christopher C. Puri

Counsel
cpuri@bradley.com
615.252.4643 direct

151



September 28, 2016

Mr. Phillip M. Earhart
HSDA Examiner
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

Re: Certificate of Need Application CN1609-032 (LP Johnson City, LLC)
Responses to First Supplemental Questions

Dear Mr. Earhart:

This letter will serve as a response to your letter of September 16, 2016 requesting clarification or additional discussion as to our application for a Certificate of Need for the above-referenced matter.

This response has been reviewed by the Applicant, and an appropriate affidavit is attached.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

A handwritten signature in black ink that reads "Christopher C. Puri". The signature is written in a cursive, flowing style.

By:

Christopher Puri

Certificate of Need Application CN1609-032 (LP Johnson City, LLC)
Responses to First Supplemental Questions

1. Section A, Applicant Profile, Item 1

The applicant did not indicate the web-site address of the applicant. Please reply to the question and submit a replacement page.

RESPONSE: The Applicant does not have a website address. A replacement page noting "Not Applicable" is submitted. Please see Attachment First Supplemental Question 1, replacing Bates numbered page 1 in the original application.

2. Section A, Name of Management/Operating Entity, Item 5

There appears to be a number of agreements included that are not typically included in nursing home applications. Please provide a brief overview of the following agreements, parties involved, how the agreements differ from a management agreement, and why they are important to this application.

- **Operating Agreement of Operating Company**
- **Operating Agreement of Real Property Company**
- **Consulting Services Agreement**
- **Consulting Services Agreement (Clinical)**
- **Employee Services Agreement**
- **Therapy Services Agreement**
- **Management Services Agreement**

RESPONSE: The Applicant, LP Johnson City, LLC, is a joint venture between its two parent entities, SHC LP Holdings III, LLC, an affiliate of Signature HealthCARE, LLC (SHC) and Blue Ridge Medical Management Corporation, an affiliate of Mountain States Health Alliance (MSHA). To assist the HSDA in understanding the joint venture, the Joint Venture Agreement was included with the original application. The agreements referenced above were attached as part of that joint venture agreement, which was included with the application beginning on Bates page 68.

The noted operating agreements are additional documentation and clarifications of the joint venture relationship and how the parties will operate that joint venture. The Operating Agreement of the Operating Company and the Real Property Company are standard agreements among limited liability company ("LLC") members that govern the LLC's business, and each members' financial and managerial rights and duties. These documents set forth how the Applicant (which is the Operating LLC) and the Real Property LLC will accomplish their purpose of managing and operating the current skilled nursing facility, and then the proposed replacement project.

As outlined in the Joint Venture Agreement, MSHA (as the owner and licensee of the currently operating Princeton Transitional Care), entered into a management agreement with LP Johnson City LLC (which is the Operating Company and the CON Applicant), effective

July 1, 2016 to provide management services to the existing facility. That management agreement is the Management Services Agreement at Exhibit 3.2(c) to the Joint Venture Agreement [Bates p. 222].

While there are multiple agreements, combined they comprise what is, otherwise, a traditional management company arrangement, and differ slightly from such a relationship at the facility level. As the facility manager and pursuant to the Joint Venture Agreement, LP Johnson City LLC contracts for particular services with certain affiliates of SHC. The agreements noted above [Consulting Services Agreement, Consulting Services Agreement (Clinical), Employee Services Agreement, and Therapy Services Agreement] are the management agreements between LP Johnson City LLC and those SHC affiliate organizations. Because there are various sister entities providing these operating services, there are different contractual agreements as follows:

- The Consulting Services Agreement covers mainly back-office and managerial support services. The entity providing those services is Signature HealthCARE Consulting Services, LLC;
- The Consulting Services Agreement (Clinical) covers the core clinical functions and support of quality functions provided within the facility. The entity providing those services is Signature HealthCARE Clinical Consulting Services, LLC;
- The Therapy Services Agreement is for the provision of therapy services needed by residents of the facility. The entity providing those services is Signature Rehab Services, LLC; and
- The Employee Services Agreement is in place to provide the individual staffing for the facility. Most employees of the facility are employed by and provided by an affiliate of SHC, Signature Payroll Services, LLC.

3. Section A. , Executive Summary, B. Rational for Approval

It is noted the applicant will create a continuum of care at the former Northside Hospital location that consists of an SNF, ALF, independent/retirement living and acute rehab services. Please provide a brief overview of each proposed service and number of beds.

RESPONSE: The Applicant's proposed project only includes skilled nursing facility and assisted care living facility beds. Forty-seven (47) beds will be dedicated to the skilled nursing facility and an additional sixty (60) assisted care living facility beds will be constructed, which are not part of the CON application. At this time, there are no independent/retirement living units which are part of the overall project.

Acute rehabilitation services are currently provided adjacent to the proposed project site through Quillen Rehabilitation Hospital (Quillen), a twenty-six (26) bed inpatient rehabilitation hospital offering comprehensive inpatient rehabilitation services designed to return patients to leading active and independent lives. However, Quillen is not part of the Applicant, LP Johnson City LLC. Quillen is a joint venture of MSHA and HealthSouth, a leading national rehabilitation provider.

With respect to services, each of the noted services provide care for individuals in post-acute recovery or for individuals living with more chronic health conditions. Acute rehabilitation services are the most clinically intensive of those services. Its services are targeted to individuals who are functionally limited because of an illness or injury, such as orthopedic conditions, amputations, spinal cord injury, and brain injury. They are designed to restore and strengthen patients so they can return to their highest level of independence, but generally provide intensive multiple hours of rehabilitation and therapy for five (5) or more days per week. In addition to caring for general rehabilitation diagnoses such as orthopedic conditions, amputations, spinal cord injury, and brain injury, Quillen has a specialized CARF Accredited Stroke Program.

Skilled nursing facilities are also designed to restore and strengthen patients recovering from post-acute treatment. SNFs offer "skilled" medical expertise and services, and skilled nursing care and/or rehabilitation services to help injured, sick, or disabled individuals to regain independence.

Assisted care living facilities offer a housing alternative for older adults who may need help with dressing, bathing, eating, and toileting, but do not require the intensive medical and nursing care provided in a skilled nursing facility. Lengths of stay in assisted care living facilities are often longer than in a skilled nursing facility.

4. Section A. Legal Interest in the Site of the Institution

The facility lease agreement is noted. However, if the applicant defaults at month 24, what will happen to the nursing home?

Please clarify if the developer will operate the nursing home or look for another partner.

In the event the developer has to operate the proposed nursing home while searching for another partner, please discuss the developer's experience in operating nursing homes.

The 20 year lease is noted. However, please clarify the purpose of the 20 year lease if the applicant will purchase or default by month 24.

RESPONSE: As noted in the application, the Applicant will operate the facility from the initial opening of the facility, but then will assume full ownership of the facility and its operations through acquisition of those assets from the developer in month thirteen (13) to twenty-four (24). Per the terms of the development agreement, the purchase must be completed within that time period or there is a default on the development agreement and initial facility lease with the developer. At purchase acquisition, the joint venture property company will hold the real estate assets and lease to it the Applicant, its sister LLC.

Under the terms of the agreements, if there is a default because the purchase is not completed as required, the nursing home would continue to operate. The control of the legal interests in the facility operations and assets would revert to the developer in the event of a default because the purchase was not completed. It is our understanding the developer would not operate the facility should those unlikely events occur, but would obtain a new operator of the facility. The developer is not also a skilled nursing facility operator and does not have

experience in that area. The Applicant, through its management agreements with SHC affiliates, would continue to operate the facility until the developer identified another operator for the nursing home.

The Applicant, as previously stated, would accept a condition on the CON requiring the notification to the HSDA should default occur and the developer assume control of the facility once licensed.

The proposed twenty (20) year lease term was requested by the developer. Given the purchase by month twenty-four (24), the only purpose of that term as we understand the developer's position, is to provide some mechanism of security to the developer in the event of default.

5. Section 6B.(1) Plot Plan

Please identify the small building on the plot plan between Princeton Road and the proposed site.

Please provide a plot plan that includes all the proposed services included in the continuum of care. This will allow agency members to gain an overall picture of the proposed project and its location relative to other services in the continuum of care.

RESPONSE: The small building on the plot plan is an existing medical office building adjacent to the project site. As requested, included is a revised plot plan using the building structure from the originally submitted plot plan, which is superimposed upon a Google Maps image of the existing location and project site. You will note that Quillen is in the upper middle part of the map. Note that given the method of creating the requested plot plan, the location of the facility building on the Google Maps image may not be exact. Please see Attachment First Supplemental Question 5, replacing Bates numbered page 313 in the original application.

6. Section 6B. (2) Floor Plan

The drawings included in the application are just too small to be legible and permit the Agency a clear understanding of what the applicant is proposing. Please provide larger, more detailed images with legible room labels of your project. The drawing may require multiple pages.

RESPONSE: As requested, a revised floor plan has been submitted. Because of the drawing size, the only method to provide the requested floor plan is by printing multiple pages. Please see Attachment First Supplemental Question 6, replacing Bates numbered page 315 in the original application.

7. Section 10. (B) Bed Complement Data

The applicant refers to Attachment A-10 to describe the reasons for the change in bed allocations and how the bed change will have on the applicant facility's existing services. However, Attachment A-10 could not be located. Please provide a narrative response.

**September 28, 2016
12:19 pm**

RESPONSE: The reference to Attachment Section A-10 is a notation included with the recently revised HSDA Application form (rev. 7/22/16, eff. 9/1/16). However, in response to the question, the Applicant states it is not changing its bed allocations overall through the proposed project, as it currently has a total of forty-seven (47) licensed nursing home beds and the proposed project will include the same number. The Applicant states that the proposed project will allow for the two (2) existing facilities (one active and one inactive) to be combined into a single facility, and the existing thirteen (13) beds inactive beds will be able to be utilized.

8. Section 12. Square Footage and Cost per Square Footage Chart

The "Total GSF" row totals 33.037 in the square footage and cost per square footage chart rather than 33,037. Please correct and incorporate in a replacement page.

Please clarify the reason \$54,905.99 is listed twice on the square footage and cost per square footage chart but only added into total cost once.

Please list the rows "mechanical/electrical and "circulation/structure" under the row listed as "other GSF Total" and incorporate in a replacement page.

The total cost of \$6,117,973.34 does not match construction cost of \$5,508,410.78 as reported by the applicant on line A5 of the Project Cost Chart. Please correct and incorporate into the requested replacement page.

RESPONSE: A revised square footage and cost per square footage chart is included correcting the noted items. Please note that the total cost line of \$6,117,973.34 is correct. That cost equals the amount the Applicant will pay to the developer in month thirteen (13) to acquire the project. Note the Project Cost Chart has been revised to reflect the acquisition cost as the correct construction cost. Please see Attachment First Supplemental Question 8, replacing Bates numbered page 16 in the original application.

For clarification, to provide that the total square footage costs match with line A5 of the Project Cost Chart, and reflect the proper cost of acquiring the facility in month 13, we have revised the Project Cost Chart to reflect the acquisition cost of the project as a single amount on line A5, rather than being broken out in lines within section A.

9. Section B, Need Item 2.a. and 2.b. (Specific Criteria –Construction, Renovation, Expansion, and Replacement)

Please indicate the distance from the proposed site to Quillen Rehabilitation Hospital and Johnson City Medical Center.

Please discuss the reasons licensed occupancy at Princeton Transitional Care decreased from 89.70% in 2010 to 66.57% in 2015. Please also note that the patient days for Year 2013 should be 8,731 and Year 2014 should be 8,921.

The table on page 21 indicates there are 899 total existing nursing home beds in Washington County is noted. However, the Department of Health's web-site indicates

there are 877 total nursing home beds. Please clarify how the applicant calculated there are 899 existing licensed beds for bed need calculation.

RESPONSE: The proposed project site is essentially adjacent to Quillen (connected by an internal road), and approximately 4.5 miles / 11 minutes from Johnson City Medical Center.

The two noted drops in the licensed occupancy at Princeton Transitional Care (2011 to 2012 and 2014 to 2015) were the result of relocation of the facility on the MSHA Campuses. The decline from 2011 to 2012 related to the relocation of the facility Northside Hospital to Quillen around July of 2012. Similarly, the movement of the facility from Quillen to Johnson City Medical Center in 2015 caused a decline in census. In each case, there was a need to purposely adjust admissions prior to the movement of patients that resulted in those impacts to census.

The table on page 21 has been corrected to reflect eight hundred seventy-seven (877) total nursing home beds in Washington County. Please see Attachment First Supplemental Question 9, replacing Bates numbered page 21 in the original application.

10. Section B, Need Item 3

Please complete the following table for the most recent reporting year.

Service Area Counties	Historical Utilization-County Residents
Washington	17
Sullivan	2
Jefferson	1
Out of State	1
Total	22

RESPONSE: As requested, the Applicant has completed the noted chart above based on information from the 2014 Joint Annual Report. Please see chart above.

11. Section C, Need Item 4.A and 4.B

Your response to this item is noted. Using population data from the Department of Health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please revise the table in question 4.A. to reflect 2016 (Current Year) and 2020 (Project Year). The web-site for the revised data is:
<http://tn.gov/health/article/statistics-con>

The primary service area population on page 29 is noted. However, the population in the table appears inflated and does not match the population table on the bottom of page 28. Please clarify.

RESPONSE: Revised pages 28 and 20 are included revising and correcting the noted items. Please see Attachment First Supplemental Question 11 replacing Bates numbered pages 28-29 in the original application. Please note that the chart on page 29 has been revised to reflect population information available from the governmental sources noted in the application, and

therefore differs slightly from the original page 29 chart because only certain age cohort data is now available from those sources.

12. Section C. Need, Item 5

The table on the bottom of page 30 and continuing to the top of page 31 is noted. However, it appears the last column is the % difference in patient days from 2012 to 2014, but is not labeled. Please clarify.

It is noted in the tables on pages 30-31 there is no available data for Lakebridge Health Care Center. Please clarify.

It is noted in the table on the top of page 31 Princeton Transitional Care experienced an occupancy rate of 2067.60% in 2012 and 2020.60% in 2013. Please explain how this is possible.

RESPONSE: Revised pages 30 and 31 are included, revising and correcting the noted items. The column headers have been added to the table. Information from Lakebridge Health Care Center has been added to the table. Occupancy information for Princeton Transition Care contained a typographical error. Please see Attachment First Supplemental Question 12 replacing Bates numbered pages 30-31 in the original application.

13. Section C. Need, Item 6

The applicant did not provide a narrative response to Item #6 on the bottom of page 31. Please provide a narrative response.

In addition, please complete the following table.

Applicant Facility- Historical and Projected Utilization

* Includes Medicare/Medicaid certified beds

Year	Licensed Beds	*Medicare-certified beds	SNF Medicare ADC	Other skilled ADC	Non skilled ADC	Total ADC	Licensed Occupancy %
2013	34 / 13	34	24	0	0	24	70%
2014	34 / 13	34	24	0	0	24	70%
2015	34 / 13	34	22	0	0	22	64%
Year 1-	47	47	33	0	0	33	70%
Year 2-	47	47	39	3	0	42	90%

Source: Department of Health Joint Annual Reports / PTC Internal Data

RESPONSE:

As requested, the Applicant has completed the noted chart above based on information from the Joint Annual Reports and available internal data. Please see the completed chart above.

With respect to Item #6 at the bottom of page 31, the Applicant responds:

6. Provide *applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.*

Utilization and occupancy statistics are provided in the Historical and Projected Data Chart and in the chart above. The Applicant, through its affiliates MSHA and SHC, completed a detailed pro-forma prior regarding the projected utilization of the project prior to entering into the joint venture agreement. Both parties have extensive experience with multiple facilities to enable them to make accurate predictive assumptions. The projected initial year one and year two occupancy projections were made using current and historical experiences from other SHC facilities, both generally near the service area and in similarly situated areas. In addition, the historical hospital discharge patterns and how various post-acute trends such as shorter lengths of stay might affect occupancy.

14. Section C. Economic Feasibility 1 (Project Cost Chart)

The Project Costs Chart is noted. However, please clarify why there is \$705,000 designated for facility licenses.

Please clarify if there are any moving and set-up costs associated with the proposed relocation.

The applicant's note on the bottom of page 32 is noted. However, the last part of the note is unclear. Please clarify.

RESPONSE: Please see a revised project cost chart at Attachment First Supplemental Question 14 replacing Bates numbered pages 33 in the original application. As discussed in Question 8, the construction cost line has been revised to reflect the amount the Applicant will pay to the developer in month thirteen (13) to acquire the project. This amount consolidates the previously costs that were broken out on lines A1, A4, A5, and A6 into a single acquisition cost amount on line A5.

The amount listed under "facility licenses" was accounts for the value of the existing facility licenses that will be transferred as part of MSHA's capital contributions to the joint venture, and be transferred from MSHA to LP Johnson City LLC with the new facility. While control will remain with MSHA through an affiliate in the joint venture, we felt it prudent to be cautious and account for those amounts in the project costs.

There are no separate moving and set-up costs related to the new facility.

The note at the bottom of page 32 stated, "*Note: Given the arrangement for the project, the amounts from lines 1, 4, 5, and 6 were used for the cost per square foot chart, as those numbers reflect the developer's price for the of the facility at the time of acquisition.*" As the square footage chart has been revised to correctly reflect the acquisition cost of the project, the note

on page 32 should reflect the construction cost line is being used and now matches the construction cost line on the Project Costs Chart.

15. Section C. Economic Feasibility 1.E-Architect's Letter

The letter dated December 17, 2015 is noted. However, please provide a revised letter that includes an estimate of the cost to construct the project. Also, please include a copy of the referenced attachment in the letter that includes all applicable construction building and life safety codes.

RESPONSE: Please see a revised letter from Ramsey Development at Attachment First Supplemental Question 15 replacing Bates numbered pages 320 in the original application.

16. Section C. Economic Feasibility Item 2

It is noted the proposed project will be funded through the use of existing cash reserves of the affiliated entities, SHC (SHC LP Holdings III, LLC) and MSHA Blue Ridge Medical Management Corporation. Please clarify the dollar amount of cash reserves that will fund the proposed project from each SHC LP Holdings III, LLC and MSHA Blue Ridge Medical Management Corporation. In addition, please provide financial documentation (other than an internal letter from each entity) that demonstrates the availability of cash to fund the proposed project.

The applicant has noted the proposed project will be funded through cash reserves. However, the letter dated September 1, 2016 from the Chief Financial officer of Signature Healthcare notes a portion of the construction costs and other initial capital costs for the project will be financed. Please clarify, and if necessary revise page 34 to identify a commercial loan that will fund a portion of the proposed project.

It is noted in the September 1, 2016 letter from Signature Healthcare the *construction costs and other initial capital costs* for the project will be paid for from a combination of cash reserves of LP Johnson City, LLC and its affiliates organization, Signature HealthCare, LLC, and available financing under Signature HealthCare, LLC and its affiliates. Please provide financial documentation (other than an internal letter) from that demonstrates the availability of cash from each LP Johnson City, LLC and its affiliate's organization, Signature HealthCare, LLC, to fund the proposed project.

In addition, please provide a letter from a bank or financial institution that identifies the expected interest rate, term of the loan, and any anticipated restrictions or conditions of the available financing under Signature HealthCare, LLC and its affiliates to fund the proposed project.

RESPONSE: As a joint venture, the joint venture entities (including the Applicant LLC) will receive capital contributions from its joint venture partners. For SHC, this contribution for the initial capital contributions and initial opening and operating funds will come mainly in the form of cash contributions. SHC has sufficient assets on hand to fund the requirements of the proposed project. As these are capital contributions to a joint venture, they are not financed amount and/or loans.

To respond to the question regarding the ability to fund the project costs and to provide additional information in that respect, the Applicant is providing the following supplemental information. There is further security for the financial feasibility of the overall project through an irrevocable standby letter of credit issued from SHC in favor of Blue Ridge Medical Management Corporation through First Republic Bank. The letter of credit is for \$2,369,246 and provides additional security of payment of any initial capital or start-up operating costs. The letter of credit provides the requested external documentation of the ability to fund those initial capital costs.

There is contemplation that, at the time of purchase of the facility (scheduled to be sometime in 2019 and 13-23 months after initial opening), there will be commercial financing for the purchase of the facility from the developer. Likely, that will take the form of a mortgage from a commercial lender. In response to the inquiry, please find attached a letter from a commercial lender expressing favorable consideration of that future transaction.

Please also see Attachment First Supplemental Question 16 also for a revised page 34 noting the commercial financing, a copy of the noted letter of credit, and a copy of the lender's initial consideration letter.

17. Section C. Economic Feasibility 3 Historical Data Chart

The historical data chart is noted. Please clarify the reason there were not any management fees designated in the Historical Data Chart but are designated in the Projected Data Chart.

RESPONSE: No management services were provided for the noted periods, so there were no management fees.

18. Section C. Economic Feasibility Item 4 Projected Data Chart

There appears to be calculation errors in the Projected Data Chart for year 2019. Please revise and submit a corrected Projected Data Chart if necessary.

It is noted salaries and wages in total \$1,947,682 in Year 2 (2019) although direct and non-direct patient care totals differ. Please clarify.

The table for Projected Data Chart "other expenses" in the middle of page 39 is noted. However, please complete and submit a replacement page 39.

Are the costs of the service agreements, identified in Question #2 accounted for in the Projected Data Chart? If yes, please explain where these costs are located.

RESPONSE: Please see a revised Projected Data Chart at Attachment First Supplemental Question 18 replacing Bates numbered pages 38-39 in the original application.

The Year 2 salaries and wages line total should be \$1,986,412.00 and is noted in the revised chart. Other expenses have also been added on the revised chart.

The costs of the service agreements identified in Question #2 are management services, and they are accounted for in the Projected Data Chart on the management fee to affiliate lines.

19. Section C. Economic Feasibility, Item 6

Please provide copies of the balance sheet and audited financial statements with accompanying notes if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the proposed project.

RESPONSE: Copies of the financial information for MSHA are provided at Attachment First Supplemental Question 19. With respect to SHC, as privately held company, SHC is not otherwise required to disclose its financial information, and this information is highly confidential and proprietary. We request that the agency accept the other submitted documentation showing full ability to fund the total project costs as documentation sufficient to deem the application complete.

20. Section C. Economic Feasibility, Item 6.C.

Please provide a response to question 6.C. on page 42.

RESPONSE:

6.C Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: (Long-term debt/(Long-term debt/Total Equity (Net assets)) x 100).

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

On pages 3-4 of the Consolidated Balance Sheet of Mountain States Health Alliance, included as Attachment First Supplemental Question 19, lists Long-term Debt of \$1,031,661,000 and Total Net Assets of \$787,906,000. Based on the formula supplied by HSDA, we calculate the Capitalization Ratio to be fifty-seven percent (57%) as follows:

$$\$1,031,661,000/(\$1,031,661,000 + 787,906,000) = .57, \text{ or } 57\%$$

21. Affidavit

A signed and notarized affidavit must be submitted with each filing of an application and supplemental information. An affidavit was not included with this application.

September 28, 2016

12:19 pm

Please submit a completed affidavit for the original application and one for the supplemental information. Please note there are an affidavit form for the original filing and a separate form for supplemental responses.

RESPONSE: Please see Attachment First Supplemental Question 21 for the original application affidavit.

CN1609-032
LP Johnson City LLC

Attachment
First Supplemental Question 1

MOUNTAIN STATES HEALTH ALLIANCE

Audited Consolidated Financial Statements (and Supplemental Information)

Years Ended June 30, 2015 and 2014



MOUNTAIN STATES HEALTH ALLIANCE***Audited Consolidated Financial Statements (and Supplemental Information)***
(Dollars in Thousands)***Years Ended June 30, 2015 and 2014***

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Audited Consolidated Financial Statements

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September 28, 2016
 11:12 am
 PERSHING YOAKLEY & ASSOCIATES, P.C.
 One Cherokee Mills, 2220 Sutherland Avenue
 Knoxville, TN 37919
 p: (865) 673-0844 | f: (865) 673-0173
 www.pyapc.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
 Mountain States Health Alliance:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Mountain States Health Alliance and its subsidiaries (the Alliance), which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Alliance's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

September 28, 2016

11:12 am

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mountain States Health Alliance and its subsidiaries as of June 30, 2015 and 2014, and the results of their operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Permitting Yurhley: Assate PC

Knoxville, Tennessee
October 28, 2015

MOUNTAIN STATES HEALTH ALLIANCE***Consolidated Balance Sheets***
(Dollars in Thousands)

	<i>June 30,</i>	
	<i>2015</i>	<i>2014</i>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 79,714	\$ 59,185
Current portion of investments	19,598	25,029
Patient accounts receivable, less estimated allowances for uncollectible accounts of \$73,805 in 2015 and \$47,853 in 2014	162,256	161,318
Other receivables, net	33,286	45,502
Inventories and prepaid expenses	33,969	30,838
TOTAL CURRENT ASSETS	328,823	321,872
INVESTMENTS, less amounts required to meet current obligations	694,542	648,475
PROPERTY, PLANT AND EQUIPMENT, net	847,089	881,429
OTHER ASSETS		
Goodwill	156,596	156,613
Net deferred financing, acquisition costs and other charges	24,755	25,841
Other assets	53,040	48,350
TOTAL OTHER ASSETS	234,391	230,804
	\$ 2,104,845	\$ 2,082,580

*See notes to consolidated financial statements.***3**

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Balance Sheets - Continued
(Dollars in Thousands)

	<i>June 30,</i>	
	<i>2015</i>	<i>2014</i>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued interest payable	\$ 18,159	\$ 18,648
Current portion of long-term debt and capital lease obligations	40,286	30,618
Accounts payable and accrued expenses	100,301	87,126
Accrued salaries, compensated absences and amounts withheld	72,066	72,181
Estimated amounts due to third-party payers, net	4,781	10,463
TOTAL CURRENT LIABILITIES	235,593	219,036
OTHER LIABILITIES		
Long-term debt and capital lease obligations, less current portion	1,031,661	1,075,069
Estimated fair value of derivatives	2,541	10,603
Estimated professional liability self-insurance	8,461	8,957
Other long-term liabilities	38,683	35,974
TOTAL LIABILITIES	1,316,939	1,349,639
COMMITMENTS AND CONTINGENCIES - Notes D, F, G, and M		
NET ASSETS		
Unrestricted net assets		
Mountain States Health Alliance	583,287	541,979
Noncontrolling interests in subsidiaries	191,118	178,547
TOTAL UNRESTRICTED NET ASSETS	774,405	720,526
Temporarily restricted net assets		
Mountain States Health Alliance	13,303	12,204
Noncontrolling interests in subsidiaries	71	84
TOTAL TEMPORARILY RESTRICTED NET ASSETS	13,374	12,288
Permanently restricted net assets	127	127
TOTAL NET ASSETS	787,906	732,941
	\$ 2,104,845	\$ 2,082,580

See notes to consolidated financial statements.

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September 28, 2016

11:12 am

MOUNTAIN STATES HEALTH ALLIANCE***Consolidated Statements of Operations***
(Dollars in Thousands)

	<i>Year Ended June 30,</i>	
	<i>2015</i>	<i>2014</i>
Revenue, gains and support:		
Patient service revenue, net of contractual allowances and discounts	\$ 1,116,954	\$ 1,046,767
Provision for bad debts	(127,519)	(122,642)
Net patient service revenue	989,435	924,125
Premium revenue	32,184	10,683
Net investment gain	17,016	50,703
Net derivative gain	13,890	3,219
Other revenue, gains and support	36,571	62,457
TOTAL REVENUE, GAINS AND SUPPORT	1,089,096	1,051,187
Expenses and losses:		
Salaries and wages	345,155	340,589
Physician salaries and wages	80,279	77,636
Contract labor	5,416	4,282
Employee benefits	77,306	69,173
Fees	120,691	115,606
Supplies	176,050	163,699
Utilities	16,775	17,052
Medical costs	18,383	6,633
Other	81,477	79,980
Loss on early extinguishment of debt	-	4,622
Depreciation	67,210	69,437
Amortization	1,557	1,742
Interest and taxes	43,697	44,392
TOTAL EXPENSES AND LOSSES	1,033,996	994,843
EXCESS OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	\$ 55,100	\$ 56,344

See notes to consolidated financial statements.

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MOUNTAIN STATES HEALTH ALLIANCE***Consolidated Statements of Changes in Net Assets
(Dollars in Thousands)******Year Ended June 30, 2015***

	<i>Mountain States Health Alliance</i>	<i>Noncontrolling Interests</i>	<i>Total</i>
UNRESTRICTED NET ASSETS:			
Excess of Revenue, Gains and Support over Expenses and Losses	\$ 41,008	\$ 14,092	\$ 55,100
Pension and other defined benefit plan adjustments	(178)	(152)	(330)
Net assets released from restrictions used for the purchase of property, plant and equipment	478	-	478
Repurchases of noncontrolling interests, net	-	(1,014)	(1,014)
Distributions to noncontrolling interests	-	(355)	(355)
INCREASE IN UNRESTRICTED NET ASSETS	41,308	12,571	53,879
TEMPORARILY RESTRICTED NET ASSETS:			
Restricted grants and contributions	3,663	69	3,732
Net assets released from restrictions	(2,564)	(82)	(2,646)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	1,099	(13)	1,086
INCREASE IN TOTAL NET ASSETS	42,407	12,558	54,965
NET ASSETS, BEGINNING OF YEAR	554,310	178,631	732,941
NET ASSETS, END OF YEAR	\$ 596,717	\$ 191,189	\$ 787,906

See notes to consolidated financial statements.

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MOUNTAIN STATES HEALTH ALLIANCE***Consolidated Statements of Changes in Net Assets - Continued***
(Dollars in Thousands)***Year Ended June 30, 2014***

	<i>Mountain States Health Alliance</i>	<i>Noncontrolling Interests</i>	<i>Total</i>
UNRESTRICTED NET ASSETS:			
Excess of Revenue, Gains and Support over Expenses and Losses	\$ 48,058	\$ 8,286	\$ 56,344
Pension and other defined benefit plan adjustments	194	194	388
Net assets released from restrictions used for the purchase of property, plant and equipment	3,313	-	3,313
Noncontrolling interest in acquired subsidiary	-	914	914
Distributions to noncontrolling interests	-	(461)	(461)
INCREASE IN UNRESTRICTED NET ASSETS	51,565	8,933	60,498
TEMPORARILY RESTRICTED NET ASSETS:			
Restricted grants and contributions	4,693	88	4,781
Net assets released from restrictions	(5,265)	(56)	(5,321)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(572)	32	(540)
INCREASE IN TOTAL NET ASSETS	50,993	8,965	59,958
NET ASSETS, BEGINNING OF YEAR	503,317	169,666	672,983
NET ASSETS, END OF YEAR	\$ 554,310	\$ 178,631	\$ 732,941

See notes to consolidated financial statements.

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MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Year Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 54,965	\$ 59,958
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for depreciation and amortization	69,242	71,789
Provision for bad debts	127,519	122,642
Loss on early extinguishment of debt	-	4,622
Change in estimated fair value of derivatives	(7,718)	2,761
Equity in net income of joint ventures, net	(79)	(369)
Loss (gain) on disposal of assets	(2,192)	(3,489)
Amounts received on interest rate swap settlements	(6,172)	(5,980)
Capital Appreciation Bond accretion and other	2,780	2,629
Restricted contributions	(3,732)	(4,781)
Pension and other defined benefit plan adjustments	330	(388)
Increase (decrease) in cash due to change in:		
Patient accounts receivable	(128,457)	(115,380)
Other receivables, net	12,303	(11,880)
Inventories and prepaid expenses	(3,131)	959
Trading securities	(39,873)	(46,451)
Other assets	(3,128)	(2,492)
Accrued interest payable	(489)	(1,058)
Accounts payable and accrued expenses	16,745	(6,666)
Accrued salaries, compensated absences and amounts withheld	(115)	8,006
Estimated amounts due to third-party payers, net	(5,682)	(16,312)
Estimated professional liability self-insurance	(496)	199
Other long-term liabilities	2,379	16,425
Total adjustments	30,034	14,786
NET CASH PROVIDED BY OPERATING ACTIVITIES	84,999	74,744
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment and property held for expansion	(44,569)	(64,424)
Acquisitions, net of cash acquired	-	(4,256)
Purchases of held-to-maturity securities	(1,417)	(5,978)
Net distribution from joint ventures and unconsolidated affiliates	4,859	661
Proceeds from sale of property, plant and equipment and property held for resale	2,654	2,858
NET CASH USED IN INVESTING ACTIVITIES	(38,473)	(71,139)

See notes to consolidated financial statements.

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MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Statements of Cash Flows - Continued
(Dollars in Thousands)

	<i>Year Ended June 30,</i>	
	<i>2015</i>	<i>2014</i>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt and capital lease obligations, including deposits to escrow	(36,210)	(38,768)
Payment of acquisition and financing costs	-	(3,826)
Proceeds from issuance of long-term debt and other financing arrangements	-	11,916
Net amounts received on interest rate swap settlements	6,172	5,980
Restricted contributions received	4,041	5,376
NET CASH USED IN FINANCING ACTIVITIES	(25,997)	(19,322)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,529	(15,717)
CASH AND CASH EQUIVALENTS, beginning of year	59,185	74,902
CASH AND CASH EQUIVALENTS, end of year	\$ 79,714	\$ 59,185

SUPPLEMENTAL INFORMATION AND NON-CASH TRANSACTIONS:

Cash paid for interest	\$ 38,982	\$ 40,546
Cash paid for federal and state income taxes	\$ 917	\$ 854
Construction related payables in accounts payable and accrued expenses	\$ 5,034	\$ 8,604
Assets contributed into joint venture	\$ 8,668	\$ -
Supplemental cash flow information regarding acquisitions:		
Assets acquired, net of cash	\$ -	\$ 12,715
Liabilities assumed	-	(8,459)
Acquisitions, net of cash acquired	\$ -	\$ 4,256

During the year ended June 30, 2014, the Alliance refinanced previously issued debt of \$318,385.

See notes to consolidated financial statements.

9

**CN1609-032
LP Johnson City LLC**

**Attachment
First Supplemental Question 21**

September 28, 2016

12:19 pm

AFFIDAVITSTATE OF KENTUCKYCOUNTY OF JEFFERSON

SANDRA ADAMS, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. §68-11-1601, et seq., and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

Sandra Adams
SIGNATURE/TITLE

Sworn to and subscribed before me this 1ST day of SEPTEMBER, 2016 a Notary
(Month) (Year)

Public in and for the County/State of JEFFERSON/KENTUCKY.

Melody Shannon
NOTARY PUBLIC

My commission expires AUGUST 20, 2017
(Month/Day) (Year)

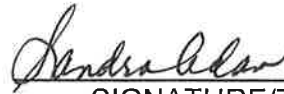
MELODY SHANNON
Notary Public-State at Large
Kentucky - Notary ID#495423
My Commission Expires August 20, 2017

CN1609-033
LP Johnson City, LLC

Supplemental Affidavit

September 28, 2016**12:19 pm****AFFIDAVIT - SUPPLEMENTAL**STATE OF KENTUCKYCOUNTY OF JEFFERSON

SANDRA ADAMS, being first duly sworn, says that he/she is the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



SIGNATURE/TITLE

Sworn to and subscribed before me this 27th day of September, 2016 a Notary
(Month) (Year)

Public in and for the County/State of JEFFERSON/KENTUCKY.


NOTARY PUBLIC

My commission expires AUGUST 20, 2017.
(Month/Day) (Year)

MELODY SHANNON
Notary Public-State at Large
Kentucky - Notary ID#495423
My Commission Expires August 20, 2017

**CN1609-032
LP Johnson City LLC**

**Attachment
First Supplemental Question 15**

September 28, 2016

11:12 am



September 20, 2016

Ms. Melanie Hill, Director
Tennessee Health Facilities Commission
Andrew Jackson State Office Building
502 Deaderick Street, 9th Floor
Nashville, Tennessee 37243

RE: LP Johnson City, LLC, Proposed Replacement Facility

Dear Ms. Hill:

I am with Ramsey Development. We will be constructing the proposed 107 bed combined skilled nursing facility / assisted living that is the subject of the LP Johnson City LLC CON application. As part of that process, I have reviewed the estimated project costs included with the Certificate of Need application to be filed for the proposed replacement skilled nursing facility at 401 Princeton Road, Johnson City, TN and agree that the proposed costs in the application are a reasonable estimate of the construction costs. Note that based on the development agreement associated with this project, the Applicant will purchase the facility between month 13 and month 24 for the amount listed as described within the application.

I have reviewed the proposed project and plans, and it is intended that our company will construct the new facility. From the information I have reviewed, we have evaluated the total projected costs cited in the application for this project and believe them to be reasonable based on our experience and judgement. Based upon the plans, the total project square footage is 73,168 and that allocated to the SNF is 33,037. The total project costs of \$ 8,522,730 and acquisition price of \$6,117,973.34 are reasonable.

The proposed facility will be constructed to meet all applicable building and life safety codes and those codes will be followed in the construction. I have included a list of such codes as an attachment to this letter. The physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the Department of Health.

Should you have any other questions for which I can be of assistance, please do not hesitate to contact me.

A handwritten signature in black ink, appearing to read "SS", is written over a horizontal line.

Very truly yours,
Stephen Satterfield
Managing Director
1515 Ormsby Station Court, Louisville, KY, 40223

September 28, 2016**11:12 am**

Current Applicable Building Standards

City Codes:

- 2012 International Building Code
- 2012 International Plumbing Code
- 2012 International Mechanical Code
- 2012 International Fuel Gas Code
- 2006 International Energy Conservation Code
- 2011 National Electrical Code
- 2012 International Fire Code and "its referenced NFPA Codes; there are also adopted local Amendments to the IFC."
- 2010 ADA Standards
- ICC A117.1-2009 Accessible and Usable Buildings and Facilities

Department of Health current codes:

- 2006 International Building Code
- 2006 International Plumbing Code
- 2006 International Mechanical Code
- 2006 International Gas Code
- 2006 NFPA 1, excluding NFPA 5000
- 2006 NFPA 101 Life Safety Code
- 2005 National Electrical Code
- 2002 North Carolina Accessibility Code with 2004 Amendments
- 2010 Americans with Disabilities Act
- 2010 AIA Guidelines for the Design and Construction of Health Care Facilities
- 2007 ASHRAE Handbook of Fundamentals

CN1609-032
LP Johnson City LLC

Attachment
First Supplemental Question 16



FIRST REPUBLIC BANK

It's a privilege to serve you®

SUPPLEMENTAL #1

September 28, 2016

11:12 am

IRREVOCABLE STANDBY LETTER OF CREDIT

Letter of Credit No.: **77-563697-2**

Dated: **July 13, 2016**

**Blue Ridge Medical Management Corporation
400 North State of Franklin
Johnson City, TN 37604
Attn: Grace Pereira**

Ladies and Gentlemen:

At the request and for the account of SHC LP Holdings III, LLC and 401 Princeton Road, LLC ("Applicant"), we hereby establish in your favor our Irrevocable standby letter of credit in an aggregate amount not to exceed Two Million Three Hundred Sixty-Nine Thousand Two Hundred Forty-Six and 00/100 US Dollars (US \$2,369,246.00) available for payment by your draft upon presentation to us of the following:

1. This original letter of credit together with all executed written amendments hereto.
2. An original signed and dated drawing certificate from you addressed to us in the form annexed hereto as **Exhibit A** (after complying with all instructions in brackets contained therein).

Drawing certificates shall be drawn on us and presented to us at the Letter of Credit Office (as hereinafter defined) at or before 5:00 p.m., local time of the Letter of Credit Office, on a Business Day (as hereinafter defined) occurring not later than the Expiration Date (as hereinafter defined). As used herein: "Letter of Credit Office" means our office located at 1888 Century Park East, 2nd Floor, Los Angeles, CA 90067, Attn: Business Banking; and "Business Day" means any day other than a Saturday, Sunday or other day on which the Letter of Credit Office is not open for business or on which commercial banks are authorized or required to close, or are in fact closed, under the laws of California.

All drawing certificates drawn under this letter of credit shall contain the above-referenced letter of credit number. We agree that all drawing certificates drawn on us under and in compliance with the terms of this letter of credit will be duly honored by us not later than seven (7) Business Days following presentation to the Letter of Credit Office. Our obligation hereunder is our individual obligation and is not contingent upon reimbursement. We will pay all drawings under this Letter of Credit with our own funds and not with funds derived from Applicant or a subsidiary or affiliate thereof.

This standby letter of credit expires on **February 1, 2017** (the date on which this standby letter of credit expires is referred to herein as the "Expiration Date"); however, the Expiration Date shall automatically be renewed, without the necessity of any amendment to this letter of credit, to **February 1st** in each succeeding calendar year up to but not beyond **February 1, 2020**, unless we provide you with written notice no later than sixty (60) days before the then existing Expiration Date that we have elected not to renew this letter of credit (the "Non-Renewal Notice"). The Non-Renewal Notice shall be sent to you by express or overnight courier or registered mail to the address set forth above or at such other address as you may have notified us in writing. Any Non-Renewal Notice shall be deemed received by you ten (10) calendar days after having been sent by us to you in accordance with the provisions hereof.

Partial drawings under this letter of credit are permitted. If a partial drawing is made, we will promptly return the original letter of credit to Beneficiary to facilitate subsequent drawings; we at our option may note on the letter of credit the amount of such partial drawing. The amount of this letter of credit shall be automatically and permanently reduced, without amendment by the amount of each drawing paid hereunder.

2193

Loan No.: **77-563697-2**
San Diego No.: **8240517202** Los Angeles • Santa Barbara • Newport Beach • San Diego • Portland • Palm Beach • Boston • Greenwich • New York

111 PINE STREET, SAN FRANCISCO, CALIFORNIA 94111, TEL (415) 392-1400 OR (800) 392-1400, FAX (415) 392-1413

WWW.FIRSTREPUBLIC.COM • MEMBER FDIC AND EQUAL HOUSING LENDER

September 28, 2016**11:12 am**

This letter of credit may be reduced at the written request of the Beneficiary. Upon our receipt of each reduction certificate in the form annexed hereto as Exhibit B (after complying with all instructions in brackets contained therein.) the amount of this letter of credit shall be automatically and permanently reduced, without amendment, by the amount of the reduction requested.

This letter of credit is transferable in the full amount available for drawing hereunder at the time of such transfer and only to a single transferee. Transfer of this letter of credit by the existing Beneficiary is subject to our receipt of Beneficiary's notice of transfer in the form annexed hereto as Exhibit C (after complying with all instructions in brackets contained therein) along with the original of this letter of credit (and any amendments thereto).

Notwithstanding the foregoing, no transfer of this letter of credit may be made to a person or entity (a "transferee") who is, and we may refuse to honor any attempted transfer to any proposed transferee whom we determine to be, a specially designated national terrorist or narcotics trafficker, a blocked entity, or a person or entity with respect to which transactions are prohibited or otherwise restricted, or which is located in or a national of a country with respect to which transactions are prohibited or restricted, pursuant to the Foreign Assets Control Regulations of the United States Treasury Department.

Standard fees apply for each reduction, transfer, renewal and/or partial draw of this letter of credit (in each of the foregoing circumstances, solely to the extent expressly permitted hereby), which fees are payable by Applicant.

We may accept documents which appear on their face to be in order without responsibility for further investigation (even as regards any purported default by Applicant) regardless of any notice or information to the contrary.

This letter of credit is subject to and governed by the International Standby Practices 1998 of the International Chamber of Commerce, Publication 590 or to any subsequent version of such publication as in effect on the date hereof ("ISP98") and, as to matters not covered therein and not inconsistent therewith, the internal laws of California, including, without limitation, the Uniform Commercial Code as from time to time in effect in such jurisdiction.

First Republic Bank

By: Name: Rose C. Stewart
DirectorTitle: Manager Commercial Loan Operations

September 28, 2016**11:12 am**

Exhibit A to First Republic Bank
Irrevocable Standby Letter of Credit No. _____

[EXHIBIT TO BE TYPED ON BENEFICIARY'S LETTERHEAD]

IRREVOCABLE STANDBY LETTER OF CREDIT DRAWING CERTIFICATE

First Republic Bank
1888 Century Park East, 2nd Floor
Los Angeles, CA 90067, Attn: Business Banking
Attention: Business Banking

Re: Irrevocable Standby Letter of Credit No. [insert Letter of Credit No.], dated [insert date], issued by First Republic Bank (the "Letter of Credit") for the account of [insert name of applicant] ("Applicant")

Ladies and Gentlemen:

The undersigned, being the beneficiary ("Beneficiary") (or a duly authorized representative thereof) of the Letter of Credit, hereby:

(a) demands payment from you in the amount of [insert amount in words] US Dollars (US\$[insert amount in figures]) under the Letter of Credit, and

(b) certifies to you that the amount demanded represents funds due and owing from Applicant to Beneficiary under one or more transactions and/or agreements/leases with Applicant.

Each capitalized term used but not otherwise defined herein has the meaning ascribed thereto in the Letter of Credit.

IN WITNESS WHEREOF, the undersigned has executed and delivered this original certificate as of [insert date].

Very truly yours,

[insert name of Beneficiary and date of this Drawing Certificate]

By: [insert signature]

Name: [insert name]

Title: [insert title]

Date: [insert date]

September 28, 2016**11:12 am**

Exhibit B to First Republic Bank
Irrevocable Standby Letter of Credit No. _____

[EXHIBIT TO BE TYPED ON BENEFICIARY'S LETTERHEAD]

IRREVOCABLE STANDBY LETTER OF CREDIT REDUCTION CERTIFICATE

First Republic Bank
1888 Century Park East, 2nd Floor
Los Angeles, CA 90067, Attn: Business Banking
Attention: Business Banking

Re: Irrevocable Standby Letter of Credit No. [Insert Letter of Credit No.], dated [Insert date], issued by First Republic Bank (the "Letter of Credit") for the account of [Insert name of applicant] ("Applicant"), with the current amount available for drawing thereunder being [Insert in words current amount available for drawing under the Letter of Credit] US Dollars (US\$[insert in figures current amount available for drawing under the Letter of Credit]).

Ladies and Gentlemen:

The undersigned, being the beneficiary ("Beneficiary") (or a duly authorized representative thereof) of the Letter of Credit, hereby unconditionally and irrevocably requests that you decrease the amount available for drawing under the Letter of Credit by [Insert amount in words] US Dollars (US\$[Insert amount in figures]), resulting in the amount available for drawing under the Letter of Credit to be reduced to [insert in words reduced amount available for drawing under the Letter of Credit] US Dollars (US\$[Insert in figures reduced amount available for drawing under the Letter of Credit]).

IN WITNESS WHEREOF, the undersigned has executed and delivered this original certificate as of the [Insert date].

Very truly yours,

[Insert name of Beneficiary and date of this Reduction Certificate]

By: [Insert signature]

Name: [Insert name]

Title: [Insert title]

Date: [Insert date]

Requested reduction hereby acknowledged:

FIRST REPUBLIC BANK

By: _____

Name: _____

Title: _____

Date: _____

September 28, 2016**11:12 am**

Exhibit C to First Republic Bank
 Irrevocable Standby Letter of Credit No. _____

[EXHIBIT TO BE TYPED ON BENEFICIARY'S LETTERHEAD]

**NOTICE OF TRANSFER OF ENTIRE
 IRREVOCABLE STANDBY LETTER OF CREDIT**

First Republic Bank
 1888 Century Park East, 2nd Floor
 Los Angeles, CA 90067, Attn: Business Banking
 Attention: Business Banking

Re: Irrevocable Standby Letter of Credit No. [insert Letter of Credit No.], dated [insert date], issued by First Republic Bank (the "Letter of Credit") for the account of [insert name of applicant] ("Applicant")

Ladies and Gentlemen:

For value received, the undersigned, being the beneficiary ("Beneficiary") (or a duly authorized representative thereof) of the Letter of Credit, hereby irrevocably assigns and transfers all of the Beneficiary's rights under the Letter of Credit, as previously and hereafter amended, supplemented and/or otherwise modified, to:

[insert full name and address of transferee]

By this transfer, all of our rights in the Letter of Credit are transferred to the transferee, and the transferee shall have the sole rights as beneficiary under the Letter of Credit, including sole rights relating to any amendments, whether extensions or other amendments, and whether now existing or hereafter made. You are hereby irrevocably instructed to advise future amendment(s) of the Letter of Credit to the transferee without our consent or notice to us.

The original Letter of Credit is herewith returned with all amendments to this date. Please notify the transferee in such form as you deem advisable of this transfer and of the terms and conditions to this Letter of Credit, including amendments as transferred.

Very truly yours,

**[insert name of Beneficiary and date of this Notice
 of Transfer]**

By: **[insert signature]**

Name: **[insert name]**

Title: **[insert title]**

Date: **[insert date]**

Receipt of Instruction to Transfer acknowledged:

FIRST REPUBLIC BANK

By: _____

Name: _____

Title: _____

Date: _____

September 28, 2016**11:12 am**

STATISTICS / DATA
100 West End Avenue
Suite 850
Nashville, TN 37203
t 615.921.3500
www.statista.com

September 27, 2016

Ms. Melanie Hill
Executive Director
Tennessee Health and Development Services Agency
502 Deaderick Street, 9th Floor
Nashville, TN 37242



RE: Financing Letter of Interest for permanent financing of a combination Skilled Nursing Facility and Assisted Living Facility in Johnson City, TN

Dear Ms. Hill :

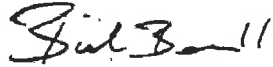
I am writing in regards to my recent discussions with the senior management team of Signature Healthcare concerning financing for up to \$14,000,000 of an approximate \$18,000,000 project. The project to be financed will be a combination 47 bed Skilled Nursing Facility and 60 bed Assisted Living Facility in Johnson City, TN. The project will be owned and operated by LP Johnson City, LLC; a joint venture entity to be majority owned by Signature Healthcare, LLC, with a minority ownership position of Mountain States Health Alliance.

On behalf of ServisFirst Bank (the "Bank"), I am pleased to advise you of the Bank's intent to extend a Credit Facility to JC RNC RE, LLC (the "Borrower") in an amount up to \$14,000,000 for permanent financing once the building is complete and the Certificate of Occupancy is delivered to the Borrower from the property developer. The Credit Facility is expected to be structured with a 5 year maturity and an amortization schedule in the 20-25 year range. The Credit Facility is also expected to be subject to a loan to value ratio customary for this financing type in the 75-80% range. Based on current market conditions and the anticipated loan to value ratio, the interest rate on the Credit Facility is anticipated to be between 5.50 – 6%. The Credit Facility would include security documentation typical for a transaction of this type, including deeds of trust, assignments of leases, and upstream guarantees from the parent entities of the Borrower. It would also be subject to conditions precedent, terms, loan covenants, and performance ratios that are standard for a transaction of this type (including fixed charge coverage and other applicable financial performance covenants).

September 28, 2016**11:12 am**

ServisFirst Bank very much looks forward to working with Signature Healthcare and Mountain States Health Alliance on this important project. Please feel free to contact me if you have any questions or need additional information from the Bank.

Sincerely,



Bill Berrell
Senior Vice President
Director, Healthcare Banking

CN1609-032
LP Johnson City LLC

Attachment
First Supplemental Question 18

Supplemental #2 -ORIGINAL-

LP JOHNSON CITY, LLC

CN1609-032

Christopher C. Puri

Counsel
cpuri@bradley.com
615.252.4643 direct

SUPPLEMENTAL #2

September 30, 2016

Bradley

September 30, 2016

Mr. Phillip M. Earhart
HSDA Examiner
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

Re: Certificate of Need Application CN1609-032 (LP Johnson City, LLC)
Responses to Second Supplemental Questions

Dear Mr. Earhart:

This letter will serve as a response to your letter of September 28, 2016 and September 29, 2016 requesting clarification or additional discussion as to our application for a Certificate of Need for the above-referenced matter.

This response has been reviewed by the Applicant, and an appropriate affidavit is attached.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP



By:

Christopher Puri

Certificate of Need Application CN1609-032 (LP Johnson City, LLC)
Responses to September 28, 2016 Second Supplemental Questions

1. Section C. Need, Item 5

The table on the bottom of page 31 is noted. However, it appears the last column is the % difference in patient days from 2012 to 2014. Please calculate the percentage difference between 2012 and 2014 patient days and submit a replacement page 31.

RESPONSE: Please see Attachment Second Supplemental Question 1, replacing Bates numbered page 31 in the original application. Note that the change between 2012 and 2014 on the chart has been revised to include both total number and percentage of the patient day changes.

2. Affidavit

The affidavit for supplemental #1 is dated September 1, 2016 which is prior to the original supplemental request sent by the Agency on September 15, 2016. Please provide an affidavit for supplemental #1 with the correct date.

RESPONSE: The First Supplemental Question 21 requested a copy of the original application affidavit, which apparently was not attached to the application when filed. That affidavit was dated September 1, 2016 and relates to the original application filing date. A supplemental response affidavit, dated September 27th was included as the last page of the First Supplemental Response.

Certificate of Need Application CN1609-032 (LP Johnson City, LLC)
Responses to September 29, 2016 Third Supplemental Questions

1. Section A. Legal Interest in the Site of the Institution

Please clarify how the 20 year lease provides security to the developer when the decision will be made by the applicant by month 24 to purchase or default.

RESPONSE: The 20 year lease provides the developer with a long-term real estate interest in the facility and the property. Additionally, to add clarity, the Applicant does not have any option with respect to the purchase. It is a mandatory obligation of the agreements between the developer and the joint venture; it is not in any way at the option of the Applicant whether to complete the purchase.

In the unlikely event of default, we believe the developer's interest in having a 20 year lease flows from the ability to have some control over the leasehold by the joint venture as tenant to the property under the initial agreement. As noted in the First Supplemental Response, the developer would have sufficient control of the leasehold interest to force Applicant to vacate the facility and relinquish operations to a new operator of the Developer's choice. However, as we also noted, the Developer is aware of the requirements of T.C.A. §68-11-1618 (Change of ownership; notice) that would be applicable to the project should the identity of the licensee change.

2. Section 12. Square Footage and Cost per Square Footage Chart and Section C. Economic Feasibility 1 (Project Cost Chart)

It appears the true construction cost of the proposed project is \$5,508,410 rather than the acquired cost of \$6,117,973.34. Please provide the construction cost of the project in the square footage and cost per square footage chart and submit a replacement page. In addition, please revise all other sections of the application that references the acquired cost of \$6,117,973.94 as the construction cost (rather than the construction costs \$5,508,410) and submit a replacement page for each.

In addition, please revise the Project Costs Chart to include the construction cost of \$5,508,410 in line A.5. All Architectural Fee, Site Preparation Costs, Contingencies, etc. should be listed separately as was listed in the original application.

RESPONSE: With respect to question 2, we would ask that the HSDA staff accept the construction cost of the proposed project as \$6,117,973.34, rather than \$5,508,410 as indicated in the supplemental question. The \$6.1M figure represents the true acquisition cost with respect to facility and the property associated with the project. By analogy, if there were no developer and the Applicant acquired an already built building for their project, we would expect use the acquisition cost, and not the cost a builder incurred to construct the building at the time it was completed.

We also believe the number is consistent with the discussions and responses we received from the HSDA staff prior to the filing of the application. At that time, we discussed the appropriate figure to use with respect to construction costs with HSDA staff, as there was also the question of whether the total lease cost was at all relevant. Staff responded by determining that "The consensus opinion is if the applicant has no other option than to purchase the building and site

by Month 24 or default, then the fair market value can be used for the Project Cost Chart rather than applying the 20 year lease.”

We do acknowledge, as discussed with staff, that the higher \$6.1M acquisition cost results in a differential in the determination of the cost per square footage comparisons. That difference is approximately \$19.00 per square foot (\$166.00 vs. \$185.00).

CN1609-033
LP Johnson City, LLC

Attachment Second Supplemental
Question 1

CN1609-033
LP Johnson City, LLC

Attachment Second Supplemental
Question 2

September 30, 2016**8:42 am****AFFIDAVIT**STATE OF KENTUCKYCOUNTY OF JEFFERSON

SANDRA ADAMS, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. §68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

Sandra Adams
SIGNATURE/TITLE

Sworn to and subscribed before me this 1ST day of SEPTEMBER, 2016 a Notary
(Month) (Year)

Public in and for the County/State of JEFFERSON/KENTUCKY

Melody Shannon
NOTARY PUBLIC

My commission expires AUGUST 20, 2017
(Month/Day) (Year)

MELODY SHANNON
Notary Public, State at Large
Kentucky - Notary ID#495423
My Commission Expires August 20, 2017

September 30, 2016**8:42 am****AFFIDAVIT - SUPPLEMENTAL**STATE OF KENTUCKYCOUNTY OF JEFFERSON

SANDRA ADAMS, being first duly sworn, says that he/she is the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



SIGNATURE/TITLE

Sworn to and subscribed before me this 27th day of September, 2016 a Notary
(Month) (Year)

Public in and for the County/State of JEFFERSON/KENTUCKY.


NOTARY PUBLIC

My commission expires AUGUST 20, 2017
(Month/Day) (Year)

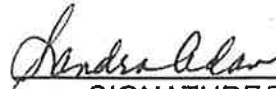
MELODY SHANNON
Notary Public-State at Large
Kentucky - Notary ID#495423
My Commission Expires August 20, 2017

CN1609-033
LP Johnson City, LLC

Affidavit for Second
Supplemental Responses

September 30, 2016**8:42 am****AFFIDAVIT - SUPPLEMENTAL**STATE OF KENTUCKYCOUNTY OF JEFFERSON

SANDRA ADAMS, being first duly sworn, says that he/she is the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



SIGNATURE/TITLE

Sworn to and subscribed before me this 29th day of Sept, 2016 a Notary
(Month) (Year)

Public in and for the County/State of JEFFERSON/KENTUCKY.


NOTARY PUBLIC

My commission expires AUGUST 20, 2017
(Month/Day) (Year)

MELODY SHANNON
Notary Public-State at Large
Kentucky - Notary ID#495423
My Commission Expires August 20, 2017

September 30, 2016**8:42 am****AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF DavidsonNAME OF FACILITY: LP Johnson City LLC

I, Christopher C. Puri, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Christopher C. Puri (Atty for Project)
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30th day of September, 2016,
witness my hand at office in the County of Davidson, State of Tennessee.

My commission expires

September 11, 2017
Cynthia A. Evans
NOTARY PUBLIC
DAVIDSON COUNTY

HF-0043

Revised 7/02

My Commission Expires SEPT. 11, 2017

Supplemental #4 -COPY-

LP JOHNSON CITY, LLC

CN1609-032

Christopher C. Puri

Counsel
cpuri@bradley.com
615.252.4643 direct

September 30, 2016

Mr. Phillip M. Earhart
HSDA Examiner
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

Re: Certificate of Need Application CN1609-032 (LP Johnson City, LLC)
Responses to Third Supplemental Questions

Dear Mr. Earhart:

This letter will serve as a response to your letter of September 30, 2016 requesting clarification or additional discussion as to our application for a Certificate of Need for the above-referenced matter.

This response has been reviewed by the Applicant, and an appropriate affidavit is attached.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP



By:

Christopher Puri

Certificate of Need Application CN1609-032 (LP Johnson City, LLC)
Responses to September 28, 2016 Third Supplemental Questions

1. Section C. Need, Item 5

The revised table on the bottom of page 31 is noted. However, it appears the last column that notes the % difference in patient days from 2012 to 2014 is incorrectly calculated. Please calculate the percentage difference between 2012 and 2014 patient days and submit a replacement page 31. For instance, Appalachian Christian Village had 34,394 patient days in 2012 and 32,696 patient days in 2014. The applicant would subtract 32,696 patient days from 34,394 patient days in 2012 = -1,698 days. The applicant would then divide -1,698 days / 34,394 patient days in 2014 which would be a percentage difference in patient days of -4.9%. Please revise the last column for each provider and include a total row at the bottom of the table.

RESPONSE: Please find attached as Attachment Third Supplemental Question 1 a revised chart appearing on page 31 of the original application.

CN1609-033
LP Johnson City, LLC

Attachment Third Supplemental
Question 1

September 30, 2016**1:39 pm****AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF DavidsonNAME OF FACILITY: LP Johnson City LLC

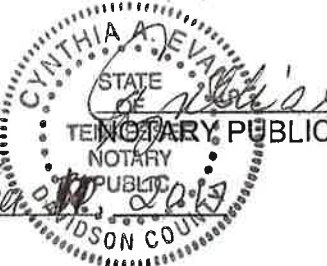
I, Christopher C. Puri, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Christopher C. Puri
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30th day of Sept, 2016,
witness my hand at office in the County of Davidson, State of Tennessee.

My commission expires

September 11, 2017



HF-0043

My Commission Expires SEPT. 11, 2017

Revised 7/02

Christopher C. Puri

Counsel
cpuri@bradley.com
615.252.4643 direct



September 2, 2016

VIA HAND DELIVERY

Ms. Melanie Hill
Tennessee Health Services and Development Agency
500 Deaderick Street, 9th Floor
Nashville, Tennessee 37243

Re: Letter of Intent to Apply for Certificate of Need – LP Johnson City, LLC

Dear Melanie:

Please find attached a Letter of Intent to apply for LP Johnson City, LLC, which intends to file an application for a Certificate of Need for a forty-seven (47) bed replacement nursing home facility as outlined in the attached notice.

Should you have any questions or need anything further, please do not hesitate to contact me.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

By:

A handwritten signature in blue ink that reads "Chris Puri". The signature is fluid and cursive, with the first name "Chris" and last name "Puri" clearly distinguishable.

Christopher C. Puri

CCP/ced
Enclosure

20845887/3877889.1
107086-013



State of Tennessee
Health Services and Development Agency

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in the Johnson City Press which is a newspaper of general circulation in Washington County, Tennessee, on or before September 2, 2016 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that: LP Johnson City, LLC, a Delaware limited liability company qualified to do business in Tennessee and which is a joint venture between SHC LP Holdings III, LLC, an affiliate of Signature HealthCARE, LLC ("SHC") and Blue Ridge Medical Management Corporation, an affiliate of Mountain States Health Alliance ("MSHA"), intends to file an application for a Certificate of Need for a forty-seven (47) bed replacement nursing home facility to be located at 401 Princeton Road, Johnson City, TN (Washington County) on the campus of what was formerly Northside Hospital. The proposed new facility will be managed by Signature Healthcare Consulting Services, LLC and Signature Healthcare Clinical Consulting Services, LLC and will relocate and replace, respectively, two existing MSHA nursing home facilities, the thirty-four (34) bed Princeton Transitional Care [(Lic. #337)] located within Johnson City Medical Center at 400 N. State of Franklin Road, Johnson City, TN (Washington County) and Franklin Transitional Care, which holds an inactive license for a thirteen (13) bed nursing home facility at 400 N. State of Franklin Road, Johnson City, TN (Washington County). There is no major medical equipment required for this project. If approved, the project and its beds will be licensed by the Tennessee Department of Health as nursing home beds and certified for participation in Medicare. The estimated project cost is \$8,571,736.00.

The anticipated filing date of the application is on or before September 7, 2016. The contact person for this project is Christopher C. Puri, Attorney, who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, TN 37203. Mr. Puri's telephone number is 615-252-4643 and his e-mail address is cpuri@bradley.com.

Signature

September 2, 2016

Date

cpuri@bradley.com

E-mail Address

The Letter of Intent **must be filed in triplicate** and **received between the first and the tenth** day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**RULES
OF
HEALTH SERVICES AND DEVELOPMENT AGENCY**

**CHAPTER 0720-11
CERTIFICATE OF NEED PROGRAM – GENERAL CRITERIA**

TABLE OF CONTENTS

0720-11-.01 General Criteria for Certificate of Need

0720-11-.01 GENERAL CRITERIA FOR CERTIFICATE OF NEED. The Agency will consider the following general criteria in determining whether an application for a certificate of need should be granted:

- (1) Need. The health care needed in the area to be served may be evaluated upon the following factors:
 - (a) The relationship of the proposal to any existing applicable plans;
 - (b) The population served by the proposal;
 - (c) The existing or certified services or institutions in the area;
 - (d) The reasonableness of the service area;
 - (e) The special needs of the service area population, including the accessibility to consumers, particularly women, racial and ethnic minorities, TennCare participants, and low-income groups;
 - (f) Comparison of utilization/occupancy trends and services offered by other area providers;
 - (g) The extent to which Medicare, Medicaid, TennCare, medically indigent, charity care patients and low income patients will be served by the project. In determining whether this criteria is met, the Agency shall consider how the applicant has assessed that providers of services which will operate in conjunction with the project will also meet these needs.
- (2) Economic Factors. The probability that the proposal can be economically accomplished and maintained may be evaluated upon the following factors:
 - (a) Whether adequate funds are available to the applicant to complete the project;
 - (b) The reasonableness of the proposed project costs;
 - (c) Anticipated revenue from the proposed project and the impact on existing patient charges;
 - (d) Participation in state/federal revenue programs;
 - (e) Alternatives considered; and
 - (f) The availability of less costly or more effective alternative methods of providing the benefits intended by the proposal.
- (3) Contribution to the Orderly Development of Adequate and Effective Healthcare Facilities and/or Services. The contribution which the proposed project will make to the orderly development of an adequate and effective health care system may be evaluated upon the following factors:

(Rule 0720-11-.01, continued)

- (a) The relationship of the proposal to the existing health care system (for example: transfer agreements, contractual agreements for health services, the applicant's proposed TennCare participation, affiliation of the project with health professional schools);
 - (b) The positive or negative effects attributed to duplication or competition;
 - (c) The availability and accessibility of human resources required by the proposal, including consumers and related providers;
 - (d) The quality of the proposed project in relation to applicable governmental or professional standards.
- (4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, The Agency may consider, in addition to the foregoing factors, the following factors:
 - (a) Need. The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change to the proposed new site.
 - (b) Economic factors. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.
 - (c) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.
- (5) Certificate of need conditions. In accordance with T.C.A. § 68-11-1609, The Agency, in its discretion, may place such conditions upon a certificate of need it deems appropriate and enforceable to meet the applicable criteria as defined in statute and in these rules.

Authority: T.C.A. §§ 4-5-202, 68-11-1605, and 68-11-1609. **Administrative History:** Original rule filed August 31, 2005; effective November 14, 2005.

**CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954**

DATE: November 30, 2016

APPLICANT: LP Johnson City, LLC
401 Princeton Road
Johnson City, Tennessee 37601

CONTACT PERSON: Chris C. Puri
1600 Division Street Suite 700
Nashville, Tennessee 37203

COST: \$8,571,736

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, LP Johnson City, LLC a Delaware limited liability company qualified to do business in Tennessee and which is a joint venture between SHC LP Holdings III, LLC, an affiliate of Signature Health CARE, LLC (SHC) and Blue Ridge Medical Management Corporation, an affiliate of Mountain States Health Alliances (MSHA), seeks Certificate of Need (CON) approval for a 47 bed replacement nursing home facility to be located at 401 Princeton Road, Johnson City, (Washington County) Tennessee.

The proposed new facility will be managed by Signature Healthcare Consulting Services, LLC and Signature Healthcare Clinical Consulting Services, LLC and will relocate and replace, respectively, two existing MSHA nursing home facilities, the 34 bed Princeton Transitional Care (license #337) Washington County) located within Johnson City Medical Center at 400 State of Franklin Road, Johnson City, Tennessee and Franklin Transitional Care, which holds an inactive license for a 13 bed nursing home at 400 N. State of Franklin Road Johnson City, Tennessee.

The project consists of 33,037 square feet of space at a total estimated construction cost of \$6,117,973, or \$185.18 per square foot. This cost is above the 3rd Quartile of HSDA's cost per square foot range.

There is no major medical equipment required for this project. If approved, the project and its beds will be licensed by the Tennessee Department of Health as nursing home beds and certified for participation in Medicare.

The estimated project cost is \$8,571,736 and will be funded through cash reserves of the joint venture's ownership.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

NEED:

The applicant's service area is Washington County. The following table projects the total and 65+ populations for the applicant's service area.

2016-2020 Total Population Projections

County	2016	2020	% Increase or Decrease
Washington	133,817	140,905	5.3%

Tennessee Population Projections 2000-2020, 2015 Revised UTCBER, Tennessee Department of Health

2016-2020 Age 65+ Population Projections

	2016	2020	% Increase or Decrease
Washington	24,231	28,137	16.1%

Tennessee Population Projections 2000-2020, 2015 Revised UTCBER, Tennessee Department of Health

LP Johnson City, LL, a joint venture between SHC LP Holding, LLC an affiliate of Signature Health CARE, LLC (SHC) and Blue Ridge Medical Management Corporation, an affiliate of Mountain States Health Alliances (MSHA), intends to construct a 47 bed replacement nursing home to be located at 401 Princeton Road, Johnson City, Tennessee 37601. The facilities being replaced are the 34 bed Princeton Transitional Care (PTC) and the 13 bed Franklin Transitional Care (FTC). Both facilities are owned and licensed by MSHA. PTC is Medicare certified and is currently managed by LP Johnson City, LLC. FTC has not operated since July 1, 2012 and is currently on inactive licensure status.

LP Johnson City, LLC will be part of a modernized, state-of-the-art building and campus on the now closed Northside Hospital site. The applicant will construct a 73,168 square foot build that will include both 47 beds dedicated to the skilled nursing facility, as well as 60 assisted living facility beds. The square footage of the skilled nursing facility will be 37,037 square feet or approximately 47% of the total space. The nursing facility will have all private rooms and state of the art support spaces such as lounges, activity and craft rooms, therapy rooms, gym, dining, and support spaces. The building will have wireless internet throughout and other web based services. In addition, there will be outdoor walking space for therapy and treatment, a chapel/movie theater, bank, post office, coffee bistro, ice cream parlor, outdoor courtyards, meditation garden and covered patios.

The follow table provides the service area nursing home utilization for the most recent final year of Joint Annual Report of Nursing Home Data for Washington County.

Washington County Nursing Home Utilization, 2014

County	Nursing Home	Licensed. Beds	Total Days of Care	Licensed Occupancy
Washington	Agape Nursing and Rehabilitation Center	84	7,664	25%
Washington	Appalachian Christian Village	103	32,696	87.0%
Washington	Christian Care Center of Johnson City	84	27,042	88.2%
Washington	Four Oaks Health Care Center	84	27,200	88.7%
Washington	John M. Reed Health and Rehab	63	18,600	80.9%
Washington	Lakebridge Health Care Center	109	37,175	93.4%
Washington	Life Care Center of Gray	125	36,015	78.9%
Washington	NHC HealthCare Johnson City	160	47,867	82.0%
Washington	Princeton Transitional Care	32	8,839	75.7%
Total		844	243,098	78.9%

Joint Annual Report of Nursing Homes, 2014 Final, Tennessee Department of Health Division of Policy, Planning, and Assessment

*Franklin Transitional Care has an inactive license for 13 nursing home beds.

This project is an effort by SHC and MSHC to enhance the provision of post-acute care services in the community and elevate the quality and continuity of care provided locally. MSHA reports they have struggles to maximize the effectiveness of its two skilled nursing facilities (PTC and FTC). MSHA sought external partnership with SHC who has expertise in long term care services and

support. The long term goal of this partnership is to develop a senior care campus that will provide a continuum of care for the older population; including skilled nursing care, assisted living, and independent/retirement living options.

This project does not increase the nursing home bed total in Washington County and there are no incomplete CONs in the service area. The Department of Health, Division of Policy, Planning, and Assessment calculated the 2018 nursing home bed need to be 1,174 for Washington County. Subtracting the current bed total, there is a need for 330 nursing home beds.

TENNCARE/MEDICARE ACCESS:

LP of Johnson City, LLC will participate in the Medicare and TennCare programs. The following is the projected gross operating revenues by payor source.

	Year 1 Projected Revenue	% of Total	Year 2	% of Total
Medicare	\$3,200,182	62.80%	\$3,679,422	58.60%
Managed Medicare/Managed Care	\$1,818,208	35.70%	\$2,071,586	33.00%
Self-Pay	\$79,370	1.50%	\$526,234	8.40%
Total	\$5,097,760		\$6,277,242	

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located in Supplemental 1, replacement page 33. The total estimated project cost is 8,571,736.

Historical Data Chart: The Historical Data Chart is located page 39 of the application. The applicant reported a net operating incomes of (\$1,450,903), (1,086,974), and (942,417) in 2013, 2014, and 2015, respectively.

Projected Data Chart: The Projected Data Chart is located on page 38 of Supplemental 1. The applicant projects 12,091 and 15,087 patient days in years one and two with net operating revenues of \$62,904 and \$378,817, each year, respectively.

The following table provides the proposed facilities' charges.

Average Gross, Deduction, and Net Charges

	Year 1	Year 2
Gross Charge	\$421.61	\$416.06
Deduction from Revenue	\$4.22	\$4.16
Average Net Charge	\$417.39	\$411.94

The applicant provides the proposed staffing for the new facility in the following table.

	Projected FTEs Year 1
Direct Care	

LPNs	4.0
RNs	6.9
Nurse Aides (CANs)	14.5
Total	25.4
Non-Patient Care	
Administrative	10.6
Facility Services	8.3
Total	44.3

The applicant considered the option of operating PTC at the temporary location in JCMC. This was determined to not be feasible because the physical space is not large enough to allow for expansion to accept and reactivate FTC's additional 13 beds. SHC and MSHA determined that an option other than a new location would put constraints on MSHA's long term plan to enhance post-acute services in Washington County.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

As a proposed new facility, LP Johnson City, LLC, does not currently have contracts with area health care providers. However, once completed and licenses the applicant intends to establish contractual arrangements, including transfer agreements with all relevant health care providers in the community including but not limited to the following: Mountain States Health Alliance hospitals, East Tennessee State University and the James H. Quillen College of Medicine, local nursing homes and clinics. The East Tennessee State University affiliation calls for JCMC to provide clinical training for medical students and residents in family medicine and psychiatric services.

The applicant states the proposed project is beneficial to the health care system and will not have any negative effects or duplication of services or competition. The focus of this project is to enhance the overall post-acute care continuum in Washington County by securing experienced partners who will elevate the quality of care and expand the scope of services available to the elderly population.

The project will have no negative impact on other providers and will add no new beds to the service area.

Both joint venture partners advocate the importance of training and education and actively participate in the education of its employees and the training of area students and workforce. MSHA

The applicant is licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities.

QUALITY CONTROL AND MONITORING

The applicant intends to comply with any regulations, standards, quality measures or other data required by the HSDA or other State agencies if approved.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

Not Applicable.

2. For relocation or replacement of an existing licensed health care institution:

- a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

The replacement and relocation of PRC and FTCC has been an operational goal of MSHA for several years since the realization that the operational inefficiencies of each of the separate units were not sustainable. As note, DTC was closed by MSHA several years ago because the facility was not operationally feasible and efficient.

The current site of PTC was approved by HSDA in CN1409-039 with the express purpose of serving as an interim location until construction of a new modern, comprehensive campus designed to meet the needs of the elderly population through the provision of skilled care and assisted living services could be completed. The new site recognizes the increasing demand as patient leaving a hospital setting and requiring skilled nursing assistance in hopes of re-acclimating to the lifestyle accustomed prior to hospitalization.

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

Not applicable.

3. For renovation or expansions of an existing licensed health care institution:

- a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

Not applicable.

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

Not applicable.

Applications for Change of Site.

When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, The Agency may consider, in addition to the foregoing factors, the following factors:

(a) Need. The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change to the proposed new site.

The applicant notes that the project is aligned with the recently revised standards for Nursing Home Services in the 2014 State Health Plan/ These Criteria were revised with the goal to provide support for an existing nursing home to modernize/update its facilities. At criteria 8, those standards encourage projects that modernize out of date facilities through replacement of the same existing facilities without increasing beds in the service area, stating:

- Encouraging Facility Moderzation: The HSDA may give preference to an application that:
 - a. Proposes a replacement facility to modernize an existing facility;
 - b. Seeks a certificate of need for a replacement facility on or near its existing facility location. The HSDA should evaluate whether the replacement facility is being located as closely as possible to the location of the existing facility and, if not, the need for a new modernized facility is being impacted by any shift in the applicant's market due to its new location within the Service Area, and
 - c. Does not increase the number of operating beds. In particular, the HSDA should give preference to replacement facility applications that are consistent with the standards described ins TCA §68-11-1627, such as facilities that seek to replace physical plants that have building and/or life safety problems, and/or facilities that seek to improve the patient-centered nature of their facility by adding home-like features such as private rooms and/or home-like amenities.

The applicant's proposed site is located 5 miles from Johnson City Medical Center. Because of the proximity of the two facilities, the skilled nursing care needs in the community will be just as well served as at the current site. The current site was approved by HSDA in CN1409-039 with the express purpose of serving as an interim location until construction of a new modern, comprehensive campus designed to meet the needs of the elderly population through the provision of skilled care and assisted living services could be completed. The new senior care campus will be on the former Northside Hospital property which is adjacent to the current campus of the Quillen Rehab Hospital. There is no ability to combine the two existing facilities into a single efficiently operating skilled nursing facility other than a new site. Consistent with the above criteria, there will be no increase in the number of licensed beds from the approval of the new facility and the new site is as close as feasible to the existing location. The continuum of services from independent living through hospital rehabilitation will increase the services to the target population above what is currently being offered.

(b) Economic factors. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

Approval of this project will enhance the provision of the post-acute care services within Washington County. The construction of a senior care campus that will contain access to skilled nursing care, assisted living and retirement living options will better meet the needs of the community. Enhancement of valued post-acute care services will improve cost efficiencies for the overall healthcare delivery system as the cost of care for patients in an acute care setting is almost 40% to 60% more compared to the post-acute setting. Improving access to these vital services in a senior friendly environment that leverages the expertise of a national multi-state organization such as SHC will be very beneficial to the patient population.

(c) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

Not Applicable.